The Successor Agency to the Former Monterey Park Redevelopment Agency

Independent Auditors' Reports and Financial Statements

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

The Successor Agency to the Former Monterey Park Redevelopment Agency
For the Year Ended June 30, 2023

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THE PUN GROUP
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INDEPENDENT AUDITORS' REPORT

To the Governing Board and Oversight Committee
of the Successor Agency to the Former Monterey Park Redevelopment Agency
Monterey Park, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Successor Agency to the Former Monterey Park Redevelopment Agency (the "Successor Agency"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Successor Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Successor Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standard*s, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Successor Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis ("MD&A") that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2024 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
May 15, 2024

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FINANCIAL STATEMENTS

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The Successor Agency to the Former
Monterey Park Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2023

ASSETS		
Current assets:		
Cash	$	171,640
Cash and investments held by fiscal agents		1,925,722
Total assets		2,097,362
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses		2,136
Interest payable		122,821
Advances from City of Monterey Park, due within one year		137,342
Tax increment deferred loan, due within one year		561,391
Bonds payable, due within one year		1,670,000
Total current liabilities		2,493,690
Noncurrent liabilities:		
Advances from City of Monterey Park		758,967
Tax increment deferred loan, due more than one year		86,102,096
Bonds payable, due more than one year		6,887,357
Low/Mod Housing deferred loans		1,186,222
Total noncurrent liabilities		94,934,642
Total liabilities		97,428,332
NET POSITION		
Net position (deficit) held in trust for debt service and certain administrative expenses	$	(95,330,970)

See Accompanying Notes to the Financial Statements.

The Successor Agency to the Former
Monterey Park Redevelopment Agency
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

ADDITIONS:	
Redevelopment Property Tax Trust Fund	$ 2,547,790
Investment income	25,447
Total additions	2,573,237
DEDUCTIONS:	
Administration	190,002
Interest expense	5,894,715
Total deductions	6,084,717
CHANGE IN NET POSITION	(3,511,480)
NET POSITION (DEFICIT):	
Beginning of year	(91,819,490)
End of year	$ (95,330,970)

See Accompanying Notes to the Financial Statements.

Note 1 – Summary of Significant Accounting Policies

A. Description of Reporting Entity

The Successor Agency of the Former Monterey Park Redevelopment Agency (the "Successor Agency") was activated on February 1, 2012. The City Council of the City of Monterey Park (the "City") serves as the governing body of the Successor Agency and exercises all rights, powers, duties and privileges of the Successor Agency. The primary purpose of the Successor Agency is to wind down the affairs of the dissolved Community Redevelopment Agency of the City of Monterey Park (the "Redevelopment Agency") and to, among other things, make payments due for enforceable obligations, perform obligations required pursuant to any enforceable obligation, dispose of all assets of the former Redevelopment Agency, and remit unencumbered balances of the former Redevelopment Agency's funds, including housing funds, to the L.A. County (the "County") Auditor-Controller for distribution to taxing entities.

B. Financial Statements

The accompanying financial statements present only the activities of the Successor Agency and do not purport to, and do not present fairly the financial position or changes in financial position of the City of Monterey Park in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

C. Basis of Accounting

The Successor Agency's financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, Redevelopment Property Tax Trust Fund ("RPTTF") revenues are recognized in the period in which they are levied, and investment income is recognized in the period in which it is earned, while expenses are recognized in the period in which the liability is incurred.

D. Investments

Investments are reported in the accompanying financial statements at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

E. Redevelopment Property Tax Trust Fund

The Successor Agency's primary source of revenue comes from the RPTTF allocation distributed by the County. Property tax revenues for each Project Area are deposited into the RPTTF, which redistributes each Project Area's tax increment under specified formulas. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedule ("ROPS"). The disbursements are established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments.

The County Auditor is also responsible for distributing other monies received from the Successor Agency (from sale of assets, etc.) to the affected taxing entities. Successor agencies in turn will use the amounts deposited into their respective funds for making payments on the principal and interest on loans, and monies advanced to or indebtedness incurred by the dissolved redevelopment agencies.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2 – Cash and Investments

Cash and investments at June 30, 2023 are classified in the accompanying financial statements as follows:

Cash	$	171,640
Cash and investments held by fiscal agents		1,925,722
Total cash and investments	$	2,097,362

Cash and investments at June 30, 2023 consist of the following:

Demand deposits with financial institutions	$	171,640
Money market mutual funds		1,925,722
Total cash and investments	$	2,097,362

Funds required to be held by outside fiscal agents under the provisions of bond indentures are reported as investments held by fiscal agent. Proceeds obtained from long-term debt issuances including tax increment and reserve fund balances are held by the fiscal agents on behalf of the Successor Agency and invested in the Successor Agency's name. Interest income on proceeds of debt is credited directly to the fund, as defined by the Bond Indenture.

Deposits

At June 30, 2023, the carrying amount of the Successor Agency's demand deposits was $171,640 and the bank balance was $212,607. The $40,967 difference represented outstanding checks, deposits in transit, or other reconciling items.

Investment policy

The investment polices are those of the City and are included in the City's basic financial statements. Please refer to the City's Annual Comprehensive Financial Report for the policy.

Investments Authorized by Debt Agreements

In addition to the investment types listed above, the Successor Agency may also invest appropriate funds in money market mutual funds and the Local Agency Investment Fund (LAIF) in accordance with bond indentures.

Note 2 – Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the money market mutual funds held by fiscal agent have a rating of AAA.

Concentration of Credit Risk

The investment policy of the Successor Agency, as summarized above, contains certain limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer that represent more than 5% of total Successor Agency investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure a Successor Agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the face value of the deposits. California law also allows financial institutions to secure Successor Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Successor Agency's total deposits. The Successor Agency may waive collateral requirements for deposits that are fully insured by federal depository insurance. However, the Successor Agency has not waived the collateralization requirements. At June 30, 2023, the Successor Agency's deposits were FDIC insured.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Successor Agency's investments to market interest rates is provided by the following table that shows the remaining maturity of each investment:

Investments	Credit Rating	Fair Value June 30, 2023	Maturity - 12 Months or Less
Investments Held by Fiscal Agents:			
Money market mutual funds	N/A *	$ 1,925,722	$ 1,925,722
Total Investments Held by Fiscal Agents		$ 1,925,722	$ 1,925,722

Note 3 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due In More Than One Year
2013A Tax Refunding Bonds - Atlantic-Garvey Redevelopment Project	$ 6,025,000	$ -	$ (1,175,000)	$ 4,850,000	$ 1,165,000	$ 3,685,000
2013B Tax Refunding Bonds - Merged Redevelopment Project	3,840,000	-	(480,000)	3,360,000	505,000	2,855,000
Subtotal	9,865,000	-	(1,655,000)	8,210,000	1,670,000	6,540,000
Add deferred amounts:						
Bond premium	440,774		(93,417)	347,357	-	347,357
Total bonds payable	10,305,774	-	(1,748,417)	8,557,357	1,670,000	6,887,357
Tax Increment Deferred Loan - Atlantic-Garvey Project	14,785,058	1,034,954	-	15,820,012	-	15,820,012
Tax Increment Deferred Loan - Merged Project	66,833,659	4,570,924	(561,108)	70,843,475	561,391	70,282,084
Total Tax Increment Deferred Loans	81,618,717	5,605,878	(561,108)	86,663,487	561,391	86,102,096
Advance from City of Monterey Park	1,033,651	-	(137,342)	896,309	137,342	758,967
Low/Mod Housing Deferred Loans	1,186,222	-	-	1,186,222	-	1,186,222
Total Long-Term Debt	$ 94,144,364	$ 5,605,878	$ (2,446,867)	$ 97,303,375	$ 2,368,733	$ 94,934,642

Tax Allocation Refunding Bond, Series 2013A (Atlantic-Garvey Redevelopment Project No. 1)

On December 1, 2013, the County of Los Angeles Redevelopment Refunding Authority assisted the Successor Agency to issue the $13,835,000 Tax Allocation Refunding Bond, Series 2013A, for the Atlantic-Garvey Redevelopment Project No. 1. These Bonds were issued to redeem the outstanding 2002 Tax Allocation Revenue Bonds. The Bonds are secured by a pledge of the tax revenues from the Project area and have interest rates ranging from 3.0% to 5.0%. Interest payments are payable semiannually on September 1 and March 1. Principal payments are made on September 1 of each year and continue until the year 2026.

Optional Redemption: The Bonds maturing on or before September 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2024, are subject to optional redemption on any date on and after September 1, 2023, in integral multiples of $5,000, from any available source of funds, at the times, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are secured by a first and prior lien on tax increment revenues, excluding any portion of revenues that are required to be deposited to the Rebate Fund. The Bonds reserve requirement is met with a purchased insurance policy. Annual principal and interest payments on the Bonds are expected to require less than 90% of net revenues. Interest paid for the current year is $242,756, and the net tax increment revenue is collected and distributed by the County of Los Angeles due to the dissolution of the former Redevelopment Agency.

Note 3 – Long-Term Debt (Continued)

Tax Allocation Refunding Bond, Series 2013A (Atlantic-Garvey Redevelopment Project No. 1) (Continued)

The annual debt service requirements on the Tax Allocation Refunding Bond, Series 2013A (Atlantic-Garvey Redevelopment Project No. 1) are as follows:

Year ending June 30,	Principal	Interest	Total
2024	$ 1,165,000	$ 184,256	$ 1,349,256
2025	1,220,000	130,731	1,350,731
2026	1,210,000	80,619	1,290,619
2027	1,255,000	27,453	1,282,453
	$ 4,850,000	$ 423,059	$ 5,273,059

Tax Allocation Refunding Bond, Series 2013B (Merged Redevelopment Project Area)

On December 1, 2013, the County of Los Angeles Redevelopment Refunding Authority assisted the Successor Agency to issue this $7,080,000 Tax Allocation Refunding Bond, Series 2013B, for the Merged Redevelopment Project No. 1. These Bonds were issued to redeem the outstanding 1998 Tax Allocation Revenue Bonds. The Bonds are secured by a pledge of the tax revenues from the Project area and have interest rates ranging from 3.0% to 5.0%. Interest payments are payable semiannually on September 1 and March 1. Principal payments are made on September 1 of each year and continue until the year 2028.

Optional Redemption: The Bonds maturing on or before September 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2024, are subject to optional redemption on any date on and after September 1, 2023, in integral multiples of $5,000, from any available source of funds, at the times, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are secured by a first and prior lien on tax increment revenues, excluding any portion of revenues that are required to be deposited to the Rebate Fund. The Bonds reserve requirement is met with a purchased insurance policy. Annual principal and interest payments on the bonds are expected to require less than 90% of net revenues. Interest paid for the current year is $167,081 and the net tax increment revenue is collected and distributed by the County of Los Angeles due to the dissolution of the former Redevelopment Agency.

The annual debt services requirement on the Tax Allocation Refunding Bond, Series 2013B (Merged Redevelopment Project Area) are as follows:

Year ending June 30,	Principal	Interest	Total
2024	$ 505,000	$ 142,456	$ 647,456
2025	530,000	119,231	649,231
2026	545,000	97,050	642,050
2027	565,000	73,109	638,109
2028	595,000	45,875	640,875
2029	620,000	15,500	635,500
Total	$ 3,360,000	$ 493,221	$ 3,853,221

Note 3 – Long-Term Debt (Continued)

Tax Increment Deferred Loan - (Atlantic-Garvey Project)

On August 20, 1987, the former Redevelopment Agency entered into an agreement for reimbursement of tax increment funds with the County of Los Angeles (the County). In the Agreement, the County agreed to loan its portion of the tax increment revenues received from the amended area (88 Annex) to the former Redevelopment Agency at a 7% compound interest rate, beginning fiscal year 1989-90. The percentage distribution from the basic tax levy for the 88 Annex areas for the County and the former Redevelopment Agency is 43.7% and 56.3% respectively. The former Redevelopment Agency will commence repayment of this loan annually beginning with the fiscal year in which the former Redevelopment Agency's share of tax increment revenues (excluding Housing Fund contributions) from the 88 Annex areas exceeds $800,000. The outstanding balance of the Tax Increment Deferred Loan - (Atlantic/Garvey Project) was $15,820,012 at June 30, 2023.

Tax Increment Deferred Loan - (Merged Project)

The former Redevelopment Agency and the County Taxing Entities (the County of Los Angeles, the Los Angeles County Flood Control District, and the Los Angeles County Office of Education) entered into four agreements for reimbursement of the tax increment deferred amounts. In the Agreements, the County Taxing Entities agreed to loan their portions of the tax increment revenues received from the Southeast Project area, Freeway `99 Annex area, Central Commercial Project area, and Merged Monterey Pass Road area to the former Redevelopment Agency at specified interest rates ranging from 0% to 7%. The percentage distribution from the basic tax levy and the repayment schedule of the deferred loans are also based on a specified formula for each taxing entity. The outstanding balance of the Tax Increment Deferred Loan - (Merged Project) was $70,843,475 at June 30, 2023.

Advances from the City of Monterey Park

In 2009, the State of California passed legislation that takes away redevelopment funds from local agencies as part of an effort to address its budget deficit. Furthermore, SB 68 was signed into law which allowed agencies to use accumulated housing funds to pay for the state required Supplemental Educational Revenue Augmentation Funds (SERAF) payments. On August 4, 2010, the former Redevelopment Agency passed two resolutions, RA 661 and 662, authorizing the Takeaway Loan to be made from the former Redevelopment Agency Capital Projects Fund (Housing Set Aside Fund) to the former Redevelopment Agency Debt Service Fund (Atlantic-Garvey and Merged Project Areas), in an amount of $1,459,258 and $1,142,640, respectively, without interest.

On May 4, 2011, the former Redevelopment Agency passed two resolutions, RA 682 and 683, authorizing additional Takeaway Loans to be made from the Redevelopment Agency Capital Projects Fund (Housing Set Aside Fund) to the Redevelopment Agency Debt Service Fund (Atlantic-Garvey and Merged Project Areas), in an amount of $300,436 and $235,249, respectively. The interest is accumulated at LAIF rate. On February 1, 2012, $2,617,203 was transferred from the former Redevelopment Agency Debt Service Fund to the Successor Agency due to the dissolution of the former Redevelopment Agency.

At June 30, 2023, the remaining balance of the Advance from City of Monterey Park totaled $896,309. This loan will be paid back to the Special Revenue Housing Fund according to a specific formula that contains variable components through the Recognized Obligation Payment Schedule distribution per the State of California Department of Finance (DOF).

Note 3 – Long-Term Debt (Continued)

Low/Mod Housing Deferred Loans

State law required former redevelopment agencies to set aside 20 percent of their tax increment revenues for low/mod housing. In 1997, the former Redevelopment Agency approved a plan to set aside future tax increment revenue in addition to the regular 20 percent set aside requirements. On February 1, 2012, the commitment was transferred to the Successor Agency due to the dissolution of the former Redevelopment Agency and was approved by the DOF as a payable to the City's Special Revenue Housing Fund. A summary of the repayment plan is presented below:

Year ending June 30,	Principal
2024	$ -
2025	100,000
2026	100,000
2027	100,000
2028	100,000
2029 - 2033	500,000
2034 - 2038	250,000
2039	36,222
Total	$ 1,186,222

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Governing Board and Oversight Committee
of the Successor Agency to the Former Monterey Park Redevelopment Agency
Monterey Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the Successor Agency to the Former Monterey Park Redevelopment Agency (the "Successor Agency), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated May XX, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Successor Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Santa Ana, California
May 15, 2024