

***VENTURA COUNTY
REGIONAL ENERGY ALLIANCE***

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2022

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2022

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Financial Section

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Independent Auditor's Report

Board of Directors
Ventura County Regional Energy Alliance
Ventura, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ventura County Regional Energy Alliance ("VCREA") as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the VCREA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the VCREA, as of June 30, 2022, and the respective changes in financial position and, cash flows 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the VCREA 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

The VCREA's 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 VCREA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 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, 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 VCREA'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 VCREA'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

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the VCREA's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023 on our consideration of the VCREA'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 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 VCREA's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
January 20, 2023

Ventura County Regional Energy Alliance

Management's Discussion and Analysis For the Year Ended June 30, 2022

As management of the Ventura County Regional Energy Alliance (VCREA), we offer readers of VCREA's financial statements this narrative overview and analysis of the financial activities and performance of VCREA for the fiscal year ended June 30, 2022. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- VCREA's net position increased by \$60,363 from \$168,384 to \$228,747 resulting from the continuation of the Clean Transportation Energy Program Grant agreement (ARV-20-009) spanning from April 2021 through June 2024.
- Total revenues from all sources increased by \$895,687 or 268.32%, from \$333,818 in 2021 to \$1,229,505 in 2022. The increase is a direct result of the 3-year Clean Transportation Energy Program (ARV-20-009).
- Total expenses for VCREA's operations increased by \$880,199 or 304.63%, from \$288,943 in 2021 to \$1,169,142 in 2022, directly related to the 3-year Clean Transportation Energy Program (ARV-20-009).

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of VCREA using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of VCREA's investments in resources (assets) and its obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of VCREA and assessing the liquidity and financial flexibility of VCREA. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of VCREA's operations over the past year and can be used to determine VCREA's profitability and creditworthiness.

Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about VCREA's finances is, "Is VCREA better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about VCREA in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies and public enterprise agencies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Ventura County Regional Energy Alliance

Management's Discussion and Analysis For the Year Ended June 30, 2022

Financial Statements (continued)

Statement of Net Position and Statement of Activities (continued)

These two statements report VCREA's net position and changes in net position. Think of VCREA's net position – the difference between assets and liabilities – as one way to measure VCREA's financial health, or financial position. Over time, increases or decreases in VCREA's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in VCREA's grant funding and availability to assess the overall health of VCREA.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 10 through 13.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of VCREA, assets of VCREA exceeded liabilities by \$228,747 as of June 30, 2022, compared to the \$168,384 at the end of the fiscal year 2021.

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 687,844	182,060	505,784	277.81%
Non-current assets	<u>115,476</u>	<u>-</u>	<u>115,476</u>	100.00%
Total	<u>803,320</u>	<u>182,060</u>	<u>621,260</u>	341.24%
Liabilities				
Current Liabilities	524,907	13,676	511,231	3738.16%
Non-current Liabilities	<u>49,666</u>	<u>-</u>	<u>49,666</u>	100.00%
Total liabilities	<u>574,573</u>	<u>13,676</u>	<u>560,897</u>	4101.32%
Net position				
Unrestricted	<u>228,747</u>	<u>168,384</u>	<u>60,363</u>	35.85%
Total net position	<u>\$ 228,747</u>	<u>168,384</u>	<u>60,363</u>	35.85%

Ventura County Regional Energy Alliance

**Management’s Discussion and Analysis
For the Year Ended June 30, 2022**

Financial Analysis (continued)

Condensed Statement of Activities

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Expenses				
Energy program	\$ 1,169,142	288,943	880,199	304.63%
Total Expenses	<u>1,169,142</u>	<u>288,943</u>	<u>880,199</u>	304.63%
Program revenues	<u>1,229,505</u>	<u>333,818</u>	<u>895,687</u>	268.32%
Total revenues	<u>1,229,505</u>	<u>333,818</u>	<u>895,687</u>	268.32%
Change in net position	60,363	44,875	15,488	34.51%
Net position - beginning	<u>168,384</u>	<u>123,509</u>	<u>44,875</u>	36.33%
Net position - ending	<u>\$ 228,747</u>	<u>168,384</u>	<u>60,363</u>	35.85%

The statement of activities shows how the government’s net position changed during the fiscal year. In the case of VCREA, net position increased by \$60,363 during the fiscal year ended June 30, 2022, compared to a \$44,875 increase for fiscal year ended June 30, 2021. The increase is a result of the California Energy Commission awarding VCREA a Clean Transportation Program Grant (ARV-20-009) in the amount of \$3.9 million, spread over three years from April 2021 through June 2024.

VCREA was selected as the administrative lead and the County of Ventura on behalf of its General services Agency (GSA) as one of the key partners in the implementation of this program. A Memorandum of Understanding (MOU) was signed on September 14 2021 between VCREA and the GSA which will span over three fiscal years, expiring on June 30, 2024. The GSA will implement their Electric Remote Motor Pool Expansion by procuring electric vehicles (EVs), plug-in hybrid vehicles and the necessary connecting chargers and other infrastructure required to operate this program. Together VCREA and the GSA are working together to implement the Ventura County Electric Vehicle (EV) Ready Blueprint with the goal to accelerate the deployment of electrified transportation within the Ventura County Region.

Requests for Information

VCREA’s basic financial statements are designed to present users with a general overview of VCREA’s finances and to demonstrate VCREA’s accountability. If you have any questions about the report, annual financial statement or need additional information regarding operating activities please contact the Ventura County Regional Energy Alliance, County of Ventura, 800 South Victoria Ave L #1940, Ventura, California 93009.

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Basic Financial Statements

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VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Statement of Net Position
June 30, 2022
(with comparative data for 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 134,492	\$ 97,397
Accounts receivable	8,046	76,493
Retention receivable	115,476	-
Grants receivable	545,306	8,170
Total assets	803,320	182,060
Liabilities		
Accounts payable and accrued expenses	466,100	6,308
Accrued salaries and wages	58,807	7,368
Retention payable	49,666	-
Total liabilities	574,573	13,676
Net position		
Unrestricted	228,747	168,384
Total net position	\$ 228,747	\$ 168,384

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022
(with comparative data for 2021)

	2022	2021
Revenues		
Charges for services	\$ 48,807	\$ 149,584
Grant revenue	1,180,698	184,234
Total revenues	1,229,505	333,818
Expenses		
Salaries and benefits	58,807	78,521
Professional services	1,103,717	209,693
General and administrative	6,618	729
Total expenditures	1,169,142	288,943
Change in net position	60,363	44,875
Net position - beginning		
Unrestricted	168,384	123,509
Net position - ending	\$ 228,747	\$ 168,384

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Statement of Cash Flows
Year Ended June 30, 2022
(with comparative data data for 2021)

	2022	2021
Cash flows from operating activities:		
Receipts from customers for services	\$ 1,778	\$ 118,917
Receipts from operating grants	643,562	193,223
Payments to employees for goods and services	(7,368)	(79,636)
Payments to vendors for materials and services	(600,877)	(227,499)
Net cash provided by operating activities	37,095	5,005
Net (decrease) increase in cash and cash equivalents	37,095	5,005
Cash and cash equivalents, beginning of year	97,397	92,392
Cash and cash equivalents, end of year	\$ 134,492	\$ 97,397
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 60,363	\$ 44,875
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	68,447	(30,667)
Grants receivable	(537,136)	8,989
Retentions receivable	(115,476)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	509,458	(17,077)
Accrued salaries and wages	51,439	(1,115)
Total adjustments	(23,268)	(39,870)
Net cash provided by operating activities	\$ 37,095	\$ 5,005

There were no significant noncash activities for the current year.

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Notes to the Basic Financial Statements
Year ended June 30, 2022

Note 1: Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

Formed in July 2003, the Ventura County Regional Energy Alliance (VCREA) is a Joint Powers Authority (JPA) composed of public agencies working in collaboration to approach the availability, reliability, conservation and innovative use of energy resources in the Ventura County region. The current JPA consists of the County of Ventura and the cities of Ventura, Oxnard, Santa Paula, Fillmore, Port Hueneme, Simi Valley, and Thousand Oaks, along with the special districts of the Ventura Regional Sanitation District, Calleguas Municipal Water District, the Ventura County Community College District and the Ventura Unified School District.

Formed as a JPA, each member in VCREA has designated a locally elected public official to serve as a Member of the Board.

B. Basis of Accounting and Measurement Focus

VCREA reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues result from exchange transactions associated with the principal activity of VCREA. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues result from non-exchange transactions in which VCREA gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

VCREA's basic financial statements are presented in conformance with the generally accepted accounting principles. VCREA has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2022

Note 1: Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position, continued

2. Cash and Cash Equivalents

VCREA considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are transactions that result in the consumption of net assets in one period that are applicable to future periods and are not considered assets. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net assets in one period that are applicable to future periods and are not considered to be liabilities. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

4. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted net position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – This component of net position consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*. VCREA's policy is to consider restricted net position to have been depleted before unrestricted net position.

5. Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2022

Note 2: Cash and Investments

Cash and cash equivalents as of June 30, 2022 consist of the following:

Deposits held with financial institution	<u>\$ 134,492</u>
Total	<u><u>\$ 134,492</u></u>

Authorized Deposits and Investments

VCREA's investment policy only authorizes investments in the local government investment pools administered by the Ventura County Treasurer – Ventura County Pooled Investment Fund (VCPIF) and financial institutions.

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 California Government Code and VCREA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. VCREA had deposits with a bank in the amount of \$134,492 at June 30, 2022. Bank balances are federally insured up to \$250,000.

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 Code and VCREA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rates. VCREA's investment policy does not discuss interest rate risk.

VENTURA COUNTY REGIONAL ENERGY ALLIANCE
Notes to the Basic Financial Statements (Continued)
Year ended June 30, 2022

Note 2: Cash and Investments, continued

Credit Risk

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.

Concentration of Credit Risk

VCREA's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer.

Fair Value Measurement

VCREA has no investments subject to the fair value measurement hierarchy.

Note 3: Employee Benefits and Pension Plan

The County of Ventura has contracted to provide staff to VCREA. As employees of the County of Ventura, they will continue to participate in the cost sharing employer contributory defined benefit pension plan administered by the Ventura County Employees' Retirement Association and other post-employment benefits plan. These benefits are handled by the County of Ventura. Payroll for these employees is processed by the County of Ventura Auditor-Controller's Office payroll section. Total costs of payroll and benefits are reimbursed by VCREA to the County of Ventura throughout the year. In order to meet monthly operating expenses during the Ventura County EV Ready Blueprint Grant Program (EV2.0) spanning from April 2021 through June 2024, VCREA has temporarily suspended reimbursements beginning July 2021, until EV2.0 is concluded in June 2024. At that time, the cumulative balance of payroll and benefits expenses from July 1, 2021 through June 30, 2024 will be transferred to the County of Ventura.

Note 4: Contingencies

Litigation

In the ordinary course of operations, VCREA is subject to claims and litigation from outside parties. As of June 30, 2022, VCREA believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

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 Auditor's Report

Board of Directors
Ventura County Regional Energy Alliance
Ventura, 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, the financial statements of the Ventura County Regional Energy Alliance ("VCREA") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the VCREA's basic financial statements, and have issued our report thereon dated January 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the VCREA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the VCREA's internal control. Accordingly, we do not express an opinion on the effectiveness of the VCREA'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the VCREA'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 statement. 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 is 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.

Davis Farr LLP

Irvine, California
January 20, 2023