City of Calexico
Transportation Development Act
Article 3 and Article 8e

Calexico, California

Financial Statements
and Independent Auditor's Report

For the Years Ended June 30, 2019 and 2018

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Calexico
Transportation Development Act – Article 3 and Article 8e
For the Years Ended June 30, 2019 and 2018

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

Report on Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the TDA Non-Transit Funds' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Non-Transit Funds of the of the City of Calexico, California, as of June 30, 2019 and 2018, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 1, the accompanying financial statements present only the TDA Non-Transit Funds and are not intended to, and do not, present fairly the financial position of the City as of June 30, 2019 and 2018, and the changes in fund balance thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19-22 be presented to supplement the basic financial statements. Such 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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the City's internal control over financial reporting and compliance.

The Pun Group, LLP

San Diego, California
March 27, 2020

FINANCIAL STATEMENTS

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TDA ARTICLE (3)

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City of Calexico
Transportation Development Act Fund – Article 3
Balance Sheets
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and investments	$ 365,240	$ 375,690
Total assets	$ 365,240	$ 375,690
FUND BALANCE		
Fund balance:		
Restricted	$ 365,240	$ 375,690
Total fund balance	$ 365,240	$ 375,690

See accompanying Notes to the Financial Statements.

City of Calexico
Transportation Development Act Fund – Article 3
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2019 and 2018

	2019	2018
REVENUES:		
Use of money and property	$ 6,841	$ 4,315
Total revenues	6,841	4,315
EXPENDITURES:		
Capital outlay	17,291	-
Total Expenditures	17,291	-
CHANGE IN FUND BALANCE	(10,450)	4,315
FUND BALANCE:		
Beginning of year	375,690	371,375
End of year	$ 365,240	$ 375,690

See accompanying Notes to the Financial Statements.

TDA ARTICLE (8e)

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City of Calexico
Transportation Development Act Fund – Article 8e
Balance Sheets
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and investments	$ 72,629	$ 107,818
Total assets	$ 72,629	$ 107,818
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 35	$ 354
Total liabilities	35	354
Fund balance:		
Restricted	72,594	107,464
Total fund balance	72,594	107,464
Total liabilities and fund balance	$ 72,629	$ 107,818

See accompanying Notes to the Financial Statements.

City of Calexico
Transportation Development Act Fund – Article 8e
Statements of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2019 and 2018

	2019	2018
REVENUES:		
TDA funds	$ -	$ 42,102
Use of money and property	1,805	1,236
Total revenues	1,805	43,338
EXPENDITURES:		
Current expenditures:		
General government	-	990
Public works	24,184	11,019
Capital outlay	12,491	8,719
Total Expenditures	36,675	20,728
CHANGE IN FUND BALANCE	(34,870)	22,610
FUND BALANCE:		
Beginning of year	107,464	84,854
End of year	$ 72,594	$ 107,464

See accompanying Notes to the Financial Statements.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the TDA Non-Transit Funds of the City are in conformity with accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

The Reporting Entity

The City was incorporated in April, 1908, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. It is governed by an elected five-member council.

The financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (TDA Non-Transit Funds) are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Non-Transit Funds administered and disbursed by the City of Calexico, California (the "City").

Fund Accounting

The accounts of the City are organized on the basis of funds, which are considered to be separate accounting entities. The operations of the TDA Non-Transit Funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds represented in the TDA Non-Transit Funds' financial statements are special revenue fund types. The TDA Non-Transit Funds account for the City's share of the TDA Article 3, Article 8a, and Article 8e allocations. The TDA Non-Transit Funds are legally restricted for specific purposes and are included in the basic financial statements of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Financial statements for the special revenue fund type of governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Basis of accounting refers to when revenues and the related assets and liabilities are recognized in the accounts and reported in the TDA Non-Transit Funds' financial statements. Specifically, it relates to the timing of measurements made, regardless of the nature of the measurement. Revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long term-liabilities, which is recognized when due. Additionally, consistent with the flow of *"current financial resources"* measurement focus required for governmental fund financial statements, unmatured long-term indebtedness are reported as a long-term liability of the City, not as a liability of the fund.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; that is, when they become both measurable and available to finance expenditures in the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the TDA Non-Transit Funds, revenues and other governmental fund financial resources are recognized if measurable and collectible generally within 60 days following the end of the fiscal year. Revenues considered susceptible to accrual primarily include TDA Article 3 and Article 8e funds and interest.

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Investments

TDA Non-Transit Funds pools cash resources with all funds in the City in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City considers amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying financial statements.

Revenue Recognition

Recognition of revenues arising from non-exchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. Funds allocated under the capital improvements program obtain the characteristic of a voluntary non-exchange transaction similar to a grant.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Budgetary Control and Encumbrances

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against the budgeted appropriations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balances

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long-term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted Fund Balance – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government's highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned Fund Balance – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Finance Director is authorized to determine and define the amount of assigned fund balances.

Unassigned Fund Balance – This amount indicates the portion of fund balance that do not fall into one of the above categories.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

Note 2 – Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The balance of the TDA Funds' cash, as of June 30, 2019 and 2018, respectively, was as follows:

	2019	2018
TDA Article 3	$ 365,240	$ 375,690
TDA Article 8e	$ 72,629	$ 107,818

The TDA Funds' cash is deposited in the City's internal investment pool, which is reported at fair value. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the TDA Funds are those of the City and are included in the City's basic financial statements.

Note 3 - Restrictions

Funds received pursuant to TDA Article 3 may only be used for pedestrian and bicycle projects.

Funds received pursuant to TDA Article 8e may only be used to pay for capital expenses incurred while contracting for transit services with profit making or non-profit companies for public transportation services as described in TDA Article 8e.

Note 4 – Contingencies

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. Liabilities for the probable amounts of loss associated with these claims are covered through the City's self-insurance and the California State Association of Counties Excess Insurance Authority. The City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. TDA Funds

The TDA funds are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 5 – Pedestrian and Bicycle Projects

The City has planned a bikeway system in conformance with specifications of Caltrans' *Planning and Design Criteria for Bikeways in California*, and the Regional Transportation Plan using funds received pursuant to TDA Article 3. For the years ended June 30, 2019 and 2018, the City has not expended TDA Article 3 funding for pedestrian and bicycle projects.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Fund balance, July 1, 2018			$ 375,690	
Resources (inflows):				
TDA funds	$ 33,298	$ 33,298	-	$ (33,298)
Use of money and property	-	-	6,841	6,841
Amount available for appropriation	33,298	33,298	6,841	(26,457)
Charges to appropriations (outflows):				
Capital outlay	375,000	375,000	17,291	357,709
Total charges to appropriations	375,000	375,000	17,291	357,709
Excess of resources over (under) charges to appropriations	$ (341,702)	$ (341,702)	(10,450)	$ 331,252
Fund balance, June 30, 2019			$ 365,240	

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Fund balance, July 1, 2017			$ 371,375	
Resources (inflows):				
TDA funds	$ 33,486	$ 33,486	-	$ (33,486)
Use of money and property	-	-	4,315	4,315
Amount available for appropriation	33,486	33,486	4,315	(29,171)
Charges to appropriations (outflows):				
Capital outlay	375,000	375,000	-	375,000
Total charges to appropriations	375,000	375,000	-	375,000
Excess of resources over (under) charges to appropriations	$ (341,514)	$ (341,514)	4,315	$ 345,829
Fund balance, June 30, 2018			$ 375,690	

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 8e
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Fund balance, July 1, 2018			$ 107,464	
Resources (inflows):				
TDA funds	$ 41,965	$ 41,965	-	$ (41,965)
Use of money and property	-	-	1,805	1,805
Amount available for appropriation	41,965	41,965	1,805	(40,160)
Charges to appropriations (outflows):				
Current:				
Public works	49,777	49,777	24,184	25,593
Capital outlay	40,000	40,000	12,491	27,509
Total charges to appropriations	89,777	89,777	36,675	53,102
Excess of resources over (under) charges to appropriations	$ (47,812)	$ (47,812)	(34,870)	$ 12,942
Fund balance, June 30, 2019			$ 72,594	

City of Calexico
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 8e
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Fund balance, July 1, 2017			$ 84,854	
Resources (inflows):				
TDA funds	$ 42,102	$ 42,102	42,102	$ -
Use of money and property	-	-	1,236	1,236
Amount available for appropriation	42,102	42,102	43,338	1,236
Charges to appropriations (outflows):				
Current:				
General government	-	-	990	(990)
Public works	16,000	16,000	11,019	4,981
Capital outlay	25,000	25,000	8,719	16,281
Total charges to appropriations	41,000	41,000	20,728	20,272
Excess of resources over (under) charges to appropriations	$ 1,102	$ 1,102	22,610	$ 21,508
Fund balance, June 30, 2018			$ 107,464	

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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 Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

We have audited, in accordance with generally accepted auditing standards 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 accompanying financial statements of the Transportation Development Act (TDA) Article 3 and Article 8e Funds (the "TDA Non-Transit Funds") of the City of Calexico, California (the "City"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the TDA Non-Transit Funds' basic financial statements, and have issued our report thereon dated August 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TDA Non-Transit Funds' internal control over financial reporting (internal control) to determine the 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 TDA Non-Transit Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the TDA Non-Transit Funds' 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 TDA Transit Fund's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grants, including the requirements governing the TDA Transit Fund as described in §6666 and §6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audits of the TDA Transit Fund and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is disclosed as follows.

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Finding 2019-01 - Late Submission of Certified Fiscal Audit

Criteria:

Pursuant to the IVAG Guidebook for the Transportation Development Act: "Certified Fiscal Audit - The TDA statute requires that all claimants submit a certified fiscal audit annually to their regional transportation planning agency and to the State Controller within 180 days after the end of the fiscal year. The fiscal report must include the audited amounts for the prior fiscal year."

Condition:

The City has experienced significant delays in the preparation and issuance of 2019 financial statements and completion of their annual fiscal audit required under the Transportation Development Act.

Effect:

The City is not in compliance with the requirements of the Transportation Development Act.

Recommendation:

The City's Finance Department should develop standard operating procedures to facilitate monthly and year-end closing processes and the preparation of its basic financial statements.

Management's Response:

The City concurs with this finding and is pleased to report the recent hiring of a new Finance Director with grant experience who will assist the City in the future timely completion of financial and compliance audit reports.

City's Response to the Findings

City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of X, State Y's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

San Diego, California
March 27, 2020

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT ACCOUNTANTS'COMPLIANCE REPORT ON THE TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 AND 8e FUNDS

To the Honorable Mayor and Members of the City Council
of the City of Calexico
Calexico, California

We have examined the City of Calexico's (the "City") Transportation Development Act Article 3 and 8e Funds' (the "TDA Program") compliance with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987* (the Act) and the allocation instructions and resolutions of the Imperial Valley Association of Governments (IVAG) during the year ended June 30, 2019.

Management's Responsibility

The City's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the TDA Program.

Accountants' Responsibility

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about TDA Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the TDA Program's compliance with specified requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the TDA Program complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the TDA Program. Accordingly, this report is not suitable for any other purpose.

The Pun Group, LLP

San Diego, California
March 27, 2020

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