

CV STARR COMMUNITY AND AQUATIC CENTER

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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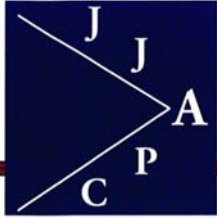
CV Starr Community and Aquatic Center
Basic Financial Statements
For the year ended June 30, 2020

Table of Contents

Page

Independent Auditors' Report.....	1
Basic Financial Statements:	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Net Position.....	5
Statement of Cash Flows	6
Notes to Basic Financial Statements.....	7
Supplementary Schedules:	
Schedule of Debt Service Coverage	14
Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position to the City of Fort Bragg	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the City of Fort Bragg
Fort Bragg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the CV Starr Community and Aquatic Center (Center) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's discussion and analysis 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The Schedule of Debt Service and Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position to the City of Fort Bragg are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Debt Service and Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position to the City of Fort Bragg has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of the Center'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 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 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 Center's internal control over financial reporting and compliance.

January 29, 2021

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**

BASIC FINANCIAL STATEMENTS

CV Starr Community Center
Statement of Net Position
June 30, 2020
(with comparative balances for June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash equivalents and investments	\$ 42,404	\$ 290,598
Accounts receivable	33,538	77,689
Inventory	996	978
Total assets	<u>\$ 76,938</u>	<u>\$ 369,265</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 43,417	\$ 84,953
Accrued payroll and benefits	6,390	21,118
Gift certificates payable	5,184	3,507
Due to MCRPD	1,947	-
Unearned revenue	-	13,206
Compensated absences	15,218	30,128
Total liabilities	<u>72,156</u>	<u>152,912</u>
Net position:		
Unrestricted (deficit)	<u>4,782</u>	<u>216,353</u>
Total net position	<u>4,782</u>	<u>216,353</u>
Total liabilities and net position	<u>\$ 76,938</u>	<u>\$ 369,265</u>

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

CV Starr Community Center
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2020
(with comparative balances for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Charges for services:		
Program service charges	\$ 457,398	\$ 695,767
Total operating revenues	<u>457,398</u>	<u>695,767</u>
OPERATING EXPENSES:		
Administration	26,020	31,187
Bank Fees	17,937	16,974
Communications	3,050	2,894
County/LAFCO Fees	-	5,233
Domain and Internet	2,841	3,057
Dues and Memberships	1,065	5,041
Enrichment Programs	7,153	4,329
Facility Equipment	19,367	29,689
Fitness Programs	1,318	5,693
Guest Services	734	531
Honorarium	1,666	1,910
Insurance	43,296	40,040
IT Equipment	31,950	18,813
Laundry Rental Service	2,977	3,585
Contractual services	5,151	10,374
Licenses and Permits	9,945	4,108
Marketing	12,218	20,942
Miscellaneous	485	1,155
Office Supplies	3,663	5,285
Pool Supplies	27,200	35,616
Postage and Shipping	762	736
Printing and Duplication	-	11,701
Program Expenses	-	-
Recruitment	185	745
Rentals/Leases	5,731	7,979
Repairs and Maintenance	66,705	78,154
Salaries and benefits	860,079	997,226
Security and Alarm Monitoring	2,311	504
Staff Memberships	-	-
Staff Training	5,428	5,065
Supplies	34,726	34,161
Travel	5,978	10,881
Utilities	184,065	274,716
Total operating expenses	<u>1,384,006</u>	<u>1,668,324</u>
OPERATING INCOME (LOSS)	<u>(926,608)</u>	<u>(972,557)</u>
NON-OPERATING REVENUES (EXPENSES):		
Refunds and rebates	-	1,500
Donations	909	431
Merchandise sales, net	4,057	7,726
Tax allocation from the City of Fort Bragg	711,687	1,268,469
Interest and debt service expenses	2	-
Other non-operating expenses	(1,618)	(32,683)
Total non-operating revenues (expenses)	<u>715,037</u>	<u>1,245,443</u>
Net income (loss)	<u>(211,571)</u>	<u>272,886</u>
NET POSITION:		
Beginning of year	216,353	(56,533)
End of year	<u>\$ 4,782</u>	<u>\$ 216,353</u>

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

CV Starr Community Center

Statement of Cash Flows

For the year ended June 30, 2020

(with comparative balances for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 488,343	\$ 732,223
Payments to vendors for services and supplies	(563,804)	(706,087)
Payments to employees for salaries and benefits	(889,717)	(1,026,843)
Net cash provided(used) by operating activities	<u>(965,178)</u>	<u>(1,000,707)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Refunds, rebates and merchandise sales	4,057	9,226
Loans to (from) MCRPD	1,947	8,941
Sales tax revenue received	711,687	1,268,469
Donations received	909	431
Other non-operating expenses	(1,618)	(32,683)
Net cash provided by non-capital financing activities	<u>716,982</u>	<u>1,254,384</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
Interest and fees paid on long-term financing	2	-
Net cash used by capital and related financing activities	<u>2</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	-	-
Net increase(decrease) in cash	(248,194)	253,677
CASH AND INVESTMENTS:		
Beginning of year	290,598	36,921
End of year	<u>\$ 42,404</u>	<u>\$ 290,598</u>
PRESENTATION IN STATEMENT OF NET POSITION:		
Cash equivalents and investments	\$ 42,404	\$ 290,598
Total	<u>\$ 42,404</u>	<u>\$ 290,598</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (926,608)	\$ (972,557)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	-	-
Changes in current assets and liabilities:		
Accounts receivable	44,151	(30,147)
Inventory	(18)	201
Due from the City of Fort Bragg	-	66,517
Accounts payable	(41,536)	(36,045)
Accrued payroll and benefits	(14,728)	(22,111)
Gift certificates payable	1,677	855
Unearned revenue	(13,206)	86
Compensated absences	(14,910)	(7,506)
Net cash provided(used) by operating activities	<u>\$ (965,178)</u>	<u>\$ (1,000,707)</u>

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

CV Starr Community and Aquatic Center
Financial Statements
For the year ended June 30, 2020

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CV Starr Community and Aquatic Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. On June 15, 2015, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. The District applies all GASB pronouncements to its activities. The more significant of the Center's accounting policies are described below.

A. Description of the Reporting Entity

On March 6, 2012, the voters in the City of Fort Bragg passed Measure A which enacted Ordinance No. 902-2012, authorizing the City of Fort Bragg to levy a half-cent sales tax to make funds (sales tax revenues) available for the operation and maintenance of the CV Starr Community Center, including Sigrid & Harry Spath Aquatic Facility and surrounding property. The City of Fort Bragg took title to the CV Starr Community Center in May 2012 and on May 10, 2012 entered into an agreement with the Mendocino Coast Recreation and Park District for the operation and management of the Center to provide recreational services and activities for the health and welfare of City residents and others in the Mendocino Coast region.

The Center keeps their own books and records to account for the daily operations of the Center. Each month, a transfer of sales tax revenue is made from the City of Fort Bragg's CV Starr Center enterprise fund to the CV Starr Center's bank account.

B. Fund Accounting Classification and Basis of Accounting

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position.

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, and cash flow from operations.

CV Starr Community and Aquatic Center
Financial Statements
For the year ended June 30, 2020

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting, continued

The Center's operations are funded almost entirely by the sales tax revenues and operating revenues for program service charges. Sales tax revenues are accounted for when the Center receives the transfer from the City and not necessarily when the tax is collected.

C. Cash Equivalents and Investments

For the purposes of the Statement of Net Position and Statement of Cash Flows, "cash equivalents and investments" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

The Center currently only invests excess cash in a non-interest earning bank account.

D. Fixed Assets

Purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives ranging from 5 to 40 years.

E. Compensated Absences

The liability for vested vacation pay is recorded as an expense when the vacation is taken. Unused balances of vacation and sick time are accrued by employees when earned and may be subject to maximum accrual limits. Sick time accrued is paid based on the number of years of service to the employee when employment is terminated. There is no maximum accrual amount for sick time. Vacation time has a maximum accrual of 2 times the employee's annual accrual, dependent on the accrual rate of that employee, which is based on years of service. Upon termination of employment, sick time is paid out at a maximum of 50% and vacation is paid out at 100% of the accrued time available, depending on years of service. Compensatory time accrued is paid in full at the end of employment.

F. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Center's financial position and operations.

CV Starr Community and Aquatic Center
Financial Statements
For the year ended June 30, 2020

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS

A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The Center's bank balance at June 30, 2020 was \$42,404.

B. Authorized Investments

The Center follows the City's investment policy for investment of available excess balances. Under provisions of the City's Investment Policy and in accordance with California Government Code Section 53601 & 53635 (a-n), the Center/City may invest or deposit in the following types of investments:

- Local Center Bonds
- US Treasury Obligations
- US Agencies
- Time Deposits
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Funds (LAIF) of California State Treasurer's Office (State Pool)
- State of California Obligations
- CA Local Center Obligations
- Repurchase Agreements (Repos)
- Reverse Repurchase Agreements
- Medium-Term Notes (Corporate Debt Investment Grade)
- Mutual Funds
- Money Market Funds
- Collateralized Bank Deposits

CV Starr Community and Aquatic Center
Financial Statements
For the year ended June 30, 2020

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

Criteria for selecting investments and the order of priority are:

- *Safety* - The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The Center/City only invests in those investments that they consider very safe.
- *Liquidity* - This refers to the ability to "cash in" at any moment in time with a minimal possibility of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occurs occasionally.
- *Yield* - This refers to the rate of return and is the least important of the criteria. Safe, liquid investments do not enjoy the yields of investments not having those characteristics.

C. Safekeeping

Securities purchased from broker-dealers are held in third party safekeeping by the trust department of the broker-dealer or other designated third party trust in the Center/City's name and control, whenever possible.

3. NON-CURRENT LIABILITIES

The Center generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Center's debt issues and transactions related to Center activities are summarized below and discussed in detail subsequently:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 30,128	\$ -	\$ (14,910)	\$ 15,218	\$ 30,128
Total	<u>\$ 30,128</u>	<u>\$ -</u>	<u>\$ (14,910)</u>	<u>\$ 15,218</u>	<u>\$ 30,128</u>

4. RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts and injuries to employees or guests. The Center provides liability and workers' compensation insurance through California Association for Park and Recreation Indemnity. The California Association for Park and Recreation Indemnity is a joint powers agency comprised of California special districts, known as CAPRI. CAPRI provides liability and workers compensation coverage through a self-funded arrangement which requires that the Center pay quarterly and annual premiums to CAPRI for its insurance coverage. The following coverage was provided to the Center for the fiscal year ended June 30, 2020 coverage period:

CV Starr Community and Aquatic Center
Financial Statements
For the year ended June 30, 2020

Notes to Basic Financial Statements, Continued

4. RISK MANAGEMENT, CONTINUED

Comprehensive General Liability (including Automobile Liability Coverage) coverage with a \$1,000,000 limit per occurrence for personal injury and property damage to which the coverage applies. CAPRI also purchases an excess policy from CSAC Excess Insurance Authority with limits of \$24 million excess of \$1million (General Liability, Automobile Liability and Public Officials and Employee Liability coverage). There is no deductible for General Liability claims.

Public Officials and Employee Liability coverage with a \$25,000,000 annual aggregate limit per member agency because of a wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability there is a \$20,000 deductible payable by the member agency or other covered party which shall be applied to any payment for judgment or settlement and to payments for defense costs as they are incurred.

Workers' Compensation Coverage with \$250,000 in limits. CAPRI purchases an excess policy from CSAC-EIA with statutory limits. There is no deductible for the Workers Compensation Program.

The contributions paid by the Center for Liability and Workers' Compensation coverages for the fiscal years ended June 30, 2020 and June 30 2019, was \$39,056 and \$40,040, respectively.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceed pooled or insured coverage for the Center. There have not been significant reductions in pooled or insured coverage from coverage in the prior year for the Center.

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SUPPLEMENTARY SCHEDULES

CV Starr Community Center
Schedule of Debt Service Coverage
June 30, 2020 and 2019

In conjunction with the State of California Water Resources Control Board Loan, the Utility has covenanted to fix, prescribe and collect rates and charges for the CV service which will be sufficient to yield during the year net revenues equal to 110% of the debt service paid during the year. For purposes of this calculation, net revenues equals net income plus depreciation and amortization expenses. The debt service requirement for 2020 and 2019 is as follows:

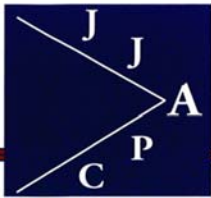
	2020	2019
Operating income	\$ (926,608)	\$ (972,557)
Add:		
Depreciation and amortization expense	184,065	274,716
CV connection fees	4,057	7,726
Use of money and property	-	1,500
Net revenue	<u>\$ (738,486)</u>	<u>\$ (688,615)</u>
Debt service:		
Principal	\$ -	\$ -
Interest	-	-
Total debt service	<u>\$ -</u>	<u>\$ -</u>
Calculated coverage	<u>N/A</u>	<u>N/A</u>
Note: Restricted cash and investments consist of the following amounts:		
Cash with fiscal agents	\$ -	\$ -
Amounts set aside for future debt repayment	-	-
Total restricted cash and investments	<u>\$ -</u>	<u>\$ -</u>

CV Starr Community Center
Reconciliation of Statement of Revenues, Expenses and Changes
of Net Position to the City of Fort Bragg
June 30, 2020

	CV Starr Financial Statements	City of Fort Bragg Enterprise Fund
Change in Net Position	\$ (211,571)	\$ (418,908)
Add Depreciation	-	683,414
Less unallocated taxes	-	(469,268)
Less interest revenue on City cash and investments	-	(15,227)
Less unallocated revenues	-	(3,352)
Add unallocated expenses	-	11,770
	<u>\$ (211,571)</u>	<u>\$ (211,571)</u>

Note: The books and records maintained by the Mendocino Coast Recreation and Park District for daily operations of the Center differ from the books and records maintained by the City of Fort Bragg to account for the Enterprise Fund. The following reconciliation demonstrates the accounting differences from the perspective of each of the two entities.

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JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

To the Honorable Mayor and City Council
of the City of Fort Bragg
Fort Bragg, 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 accompanying financial statements of the CV Starr Community and Aquatic Center (Center), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 Center'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 determination of financial statement amounts. 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*.

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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 29, 2021

JJACPA, Inc.

JJACPA, Inc.

Dublin, CA