

Audited Financial Statements

**KINGSBURG TRI-COUNTY
HEALTH CARE DISTRICT**

June 30, 2021

**JWT & Associates, LLP
Certified Public Accountants**

Audited Financial Statements

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2021

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Management's Discussion and Analysis

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2021

The management of the Kingsburg Tri-County Health Care District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2021 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2021 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Highlights

For the year of operations ending June 30, 2021, the District received \$985,569 in property taxes from the three counties of Fresno, Kings and Tulare and \$126,118 in rental income from the two tenants leasing the District properties. The prior year taxes were \$916,350 and the prior year rental income was \$124,848.

Total District expenses for 2021 and 2020 were \$1,968,122 and \$1,252,897, respectively. The decrease in net position for the year was \$(842,908) versus a net decrease of \$(149,686) for the prior year. During the 2021 and 2020 fiscal years, the District incurred \$1,763,987 and \$1,040,008 in donation expenditures for local community healthcare purposes. Other similar donation programs continue to be discussed.

The District will continue to operate as a health care district which will allow for the continued collection of property taxes and certain rental income from which the District will pay certain operating expenses. Excess earnings will be used to support and promote other healthcare activities for the residents in the Kingsburg area.

Statements of Net Position

As of June 30, 2021, the District's current assets are comprised of \$2,248,020 in operating cash and \$81,738 in receivables and prepaid expenses. Other assets include \$3,422,106 of property and equipment, net of accumulated depreciation of \$(3,225,887). Liabilities of the District include \$2,233 of current accounts payable and \$1,543 of accrued payroll payable.

As of June 30, 2020, the District's current assets are comprised of \$3,070,187 in operating cash and \$93,792 in receivables and prepaid expenses. Other assets include \$3,422,106 of property and equipment, net of accumulated depreciation of \$(3,205,698). Liabilities of the District include \$8,021 of current accounts payable and \$3,481 of accrued payroll payable.

Management's Discussion and Analysis (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

Economic Factors

The District's board is continuing the process of developing projected expenses for the fiscal year ending June 30, 2022. For fiscal year 2022, the District is projected to increase net position by a margin similar to the 2021 results. The increase is due to several assumptions:

1. A conservative increase in property taxes for fiscal year 2022.
2. Another full year of rental income from rent of the hospital facilities.
3. Operating expenses are expected to increase at a continued rate similar to prior year increases.

It is the goal of the District to continue to operate at efficient levels of income and expenses in order to maximize the further funding of health care activities within the Kingsburg area.

JWT & Associates, LLP

A Limited Liability Certified Public Accountancy Partnership

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Report of Independent Auditors

The Board of Directors
Kingsburg Tri-County Health Care District
Kingsburg, California

We have audited the accompanying financial statements of the Kingsburg Tri-County Health Care District (the District) which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 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 and in the State Controller's *Minimum Audit Requirements* for California Special Districts, California Code of Regulations, Title 2, Section 1131.2. 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 judgement, 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 District'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 District'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 opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Kingsburg Tri-County Health Care District at June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

JW7 & Associates, LLP

Fresno, California
March 15, 2022

Statements of Net Position

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	June 30	
	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,248,020	\$ 3,070,187
Accounts receivable	63,653	82,126
Prepaid expenses	<u>18,085</u>	<u>11,666</u>
Total current assets	2,329,758	3,163,979
Property and equipment, less accumulated depreciation	<u>196,219</u>	<u>216,408</u>
Total assets	<u>\$ 2,525,977</u>	<u>\$ 3,380,387</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued payroll	<u>\$ 3,776</u>	<u>\$ 11,502</u>
Total current liabilities	3,776	11,502
Net position:		
Invested in capital assets	196,219	216,408
Unrestricted	<u>2,325,982</u>	<u>3,152,477</u>
Total net position	<u>2,522,201</u>	<u>3,368,885</u>
Total liabilities and net position	<u>\$ 2,525,977</u>	<u>\$ 3,380,387</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2021</u>	<u>2020</u>
Operating revenues		
Rent revenue	\$ 126,118	\$ 124,848
Interest income	13,210	62,013
Other operating revenue	<u>317</u>	<u> </u>
Total operating revenues	139,645	186,861
Operating expenses		
Grant program donations	1,763,987	1,040,008
Salaries, wages and employee benefits	60,981	59,910
Professional fees	57,671	70,510
Supplies	3,416	6,990
Purchased services	16,792	6,385
Rent	10,845	9,770
Utilities	5,381	4,808
Insurance	27,258	22,662
Depreciation and amortization	20,189	29,326
Other operating expenses	<u>1,602</u>	<u>2,528</u>
Total operating expenses	<u>1,968,122</u>	<u>1,252,897</u>
Operating loss	(1,828,477)	(1,066,036)
Nonoperating revenues		
District tax revenues	<u>985,569</u>	<u>916,350</u>
Total nonoperating revenues	<u>985,569</u>	<u>916,350</u>
Increase (decrease) in net position	(842,908)	(149,686)
Net position at beginning of the year	<u>3,368,885</u>	<u>3,518,571</u>
Net position at end of the year	<u>\$ 2,525,977</u>	<u>\$ 3,368,885</u>

See accompanying notes and auditor's report

Statements of Cash Flows

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from operating revenues	\$ 148,670	\$ 204,475
Cash payments to employees and benefit programs	(62,919)	(60,460)
Cash payments to programs, suppliers and contractors	<u>(1,899,159)</u>	<u>(1,162,679)</u>
Net cash (used in) operating activities	(1,813,408)	(1,018,664)
Cash flows from noncapital financing activities:		
District tax revenues	<u>991,241</u>	<u>911,783</u>
Net cash provided by noncapital financing activities	991,241	911,783
Cash flows from capital and related financing activities:		
Purchases of property and equipment		
Other non operating adjustments	<u> </u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	(822,167)	(106,881)
Cash and cash equivalents at beginning of year	<u>3,070,187</u>	<u>3,177,068</u>
Cash and cash equivalents at end of year	<u>\$ 2,248,020</u>	<u>\$ 3,070,187</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (1,828,477)	\$ (1,066,036)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation and amortization	20,189	29,326
Changes in operating assets and liabilities:		
Accounts receivable	9,025	17,614
Prepaid expenses	(6,419)	(7,039)
Accounts payable and accrued payroll	<u>(7,726)</u>	<u>7,471</u>
Net cash (used in) operating activities	<u>\$ (1,813,408)</u>	<u>\$ (1,018,664)</u>

See accompanying notes and auditor's report

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kingsburg Tri-County Health Care District, (the District) is a public entity organized under Local Healthcare District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the District boundaries to specified terms of office. The District is located in Kingsburg, California and leases the District's health care facilities to certain health care providers who provide specific patient services to residents of the area and others outside the area.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: The management's discussion and analysis is a narrative introduction and analytical overview of the District's financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management's discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of property; errors and omissions; natural disasters; and other risk areas. Commercial insurance coverage is purchased for claims arising from such matters.

Net Position: Net position is presented in three categories. The first category is net position that is “invested in capital assets, net of related debt”. This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is “restricted” net position. This category consists of externally designated constraints placed on funding by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

District Tax Revenues: The District receives approximately 90% of its financial support from property taxes. These funds are used to support operations of the District and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to day-to-day operations of healthcare services. The District boundaries are within the Fresno, Kings and Tulare Counties of California. Property taxes are levied by these three Counties on the District’s behalf during the year, and are intended to help finance the District’s healthcare activities during the same year. Amounts are levied on the basis of the most current property values on record with the three Counties. The three Counties have established certain dates to levy, lien, mail bills, and receive payments from property owners during the year.

Grants and Contributions: From time to time, the District may receive grants from various governmental agencies and private organizations. The District may also receive contributions from a related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2021 and 2020, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$2,248,020, and \$3,070,187. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

NOTE C - OTHER RECEIVABLES

Other receivables as of June 30, 2021 and 2020 were comprised of the following:

	<u>2021</u>	<u>2020</u>
Property taxes receivable from the three Counties	\$ 62,063	\$ 71,511
Other miscellaneous receivables	<u>1,590</u>	<u>10,615</u>
	<u>\$ 63,653</u>	<u>\$ 82,126</u>

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE D - CAPITAL ASSETS

The District began to depreciate the capital assets again effective July 1, 2015. The District's property had been held for sale in prior years. This property consisted of land, buildings and equipment which had been used in hospital operations. Since closure of hospital operations in the Spring of 2010, the District had been seeking potential buyers to purchase the property, however no agreements could ever be reached. As a result, the District began leasing the property to certain health care providers in an effort to continue to provide healthcare services to the community at large. Capital assets as of June 30, 2021 and 2020 were comprised of the following:

	Balance at <u>June 30, 2020</u>	Adjustments <u>& Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2021</u>
Land and land improvements	\$ 49,951			\$ 49,951
Buildings and improvements	1,519,558			1,519,558
Equipment	<u>1,852,597</u>	_____	_____	<u>1,852,597</u>
Totals at historical cost	3,422,106			3,422,106
Less accumulated depreciation	<u>(3,205,698)</u>	\$ (20,189)	_____	<u>(3,225,887)</u>
Capital assets, net	<u>\$ 216,408</u>	<u>\$ (20,189)</u>	<u>\$ _____</u>	<u>\$ 196,219</u>
	Balance at <u>June 30, 2019</u>	Adjustments <u>& Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2020</u>
Land and land improvements	\$ 49,951			\$ 49,951
Buildings and improvements	1,519,558			1,519,558
Equipment	<u>1,852,597</u>	_____	_____	<u>1,852,597</u>
Totals at historical cost	3,422,106			3,422,106
Less accumulated depreciation	<u>(3,176,373)</u>	\$ (29,326)	_____	<u>(3,205,698)</u>
Capital assets, net	<u>\$ 245,733</u>	<u>\$ (29,326)</u>	<u>\$ _____</u>	<u>\$ 216,408</u>

NOTE E - DEBT BORROWINGS

As of June 30, 2021 and 2020 there were no debt borrowings. In November, 2013, the District made the last principal and interest payments to pay the outstanding bonds in full.

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE F - FAIR VALUE OF CASH EQUIVALENTS

The District’s investments in certain cash equivalents were as follows at June 30, 2021 and 2020:

<i>As of June 30, 2021</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 1,793,494	\$ 1,793,494		
Total investments	<u>\$ 1,793,494</u>	<u>\$ 1,793,494</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<i>As of June 30, 2020</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Cash equivalents in savings	\$ 2,706,259	\$ 2,706,259		
Total investments	<u>\$ 2,706,259</u>	<u>\$ 2,706,259</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The District’s investments are reported at fair value. The District’s investment policy allows for various forms of investments generally set to mature within a few months. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Local Agency Investment Fund: The State makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Investments are highly liquid and can be converted to cash within 24 hours. Participation in LAIF is voluntary and is limited to \$40 million for each entity. The fair value of the District’s investment in LAIF is reported based on the District’s pro rata share of the fair value provided by LAIF for the entire portfolio.

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. One of the ways a hospital manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District’s investments by maturity.

Credit Risk: Credit risk is the risk that the 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, such as Moody’s Investor Service, Inc. Generally a hospital’s investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of \$500 million and having a “A” or higher rating by agencies such as Moody’s or Standard and Poor’s.

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE F - FAIR VALUE OF CASH EQUIVALENTS (continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a hospital would not be able to recover the value of its investment or collateral securities that are in the possession of another party. A hospital's investments are generally held by broker-dealers or in the case of many healthcare district's, in government-pooled short-term cash equivalents such as mutual funds.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a hospital's investment in a single issuer. A hospital's investment policy generally allows for different concentrations in selected investment portfolios such as government-backed securities, which are deemed to be lower risk.

NOTE G - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2021, the District had no recorded construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. There are no commitments to complete any facility project as of June 30, 2021.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2021, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2021 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

NOTE H - SUBSEQUENT EVENTS

The District's management has evaluated the effect of significant subsequent events on the financial statements through March 15, 2022, the date the financial statements are issued, and determined that there are no other material subsequent events that have not been disclosed.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

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Independent Auditors 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

The Board of Directors
Kingsburg Tri-County Health Care District
Kingsburg, 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 business-type activities of the Kingsburg Tri-County Health Care District (the District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 those 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 District'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 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JW7 & Associates, LLP

Fresno, California

March 15, 2022