

SAND CREEK FLOOD CONTROL DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2021, 2020, 2019, 2018 and 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sand Creek Flood Control District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sand Creek Flood Control District (the District) as of and for the years ended June 30, 2017 through June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's 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 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2017 through June 30, 2021, the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 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 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 District's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." The signature is fluid and cursive, with "Hudson" and "Henderson" connected, and "& Company, Inc." written in a slightly different, more formal script.

Fresno, California

April 4, 2022

SAND CREEK FLOOD CONTROL DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021, 2020, 2019, 2018 AND 2017

	2021	2020	2019	2018	2017
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 103,129	\$ 94,323	\$ 86,742	\$ 80,743	\$ 77,973
Prepaid expenses	_____	_____	1,000	1,008	1,008
Total current assets	<u>103,129</u>	<u>94,323</u>	<u>87,742</u>	<u>81,751</u>	<u>78,981</u>
Total Assets	<u>103,129</u>	<u>94,323</u>	<u>87,742</u>	<u>81,751</u>	<u>78,981</u>
LIABILITIES					
Current Liabilities					
Accounts payable	_____	4,448	1,396	_____	_____
Total current liabilities	<u>4,448</u>	<u>1,396</u>	_____	_____	_____
Total Liabilities	<u>4,448</u>	<u>1,396</u>	_____	_____	_____
NET POSITION					
Unrestricted	_____	98,681	92,927	87,742	81,751
Total Net Position	<u>\$ 98,681</u>	<u>\$ 92,927</u>	<u>\$ 87,742</u>	<u>\$ 81,751</u>	<u>\$ 78,981</u>

SAND CREEK FLOOD CONTROL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021, 2020, 2019, 2018 AND 2017

	2021	2020	2019	2018	2017
OPERATING REVENUES					
Special assessments	\$ 12,047	\$ 11,995	\$ 11,993	\$ 11,959	\$ 11,977
Total operating revenues	<u>12,047</u>	<u>11,995</u>	<u>11,993</u>	<u>11,959</u>	<u>11,977</u>
OPERATING EXPENSES					
Repairs and maintenance	4,394	5,534	3,426	2,509	-
Professional fees	2,189	2,327	3,000	6,237	2,095
Office expenses	-	-	-	13	-
P.O. box rental fees	-	-	-	64	60
Postage	9	1	18	3	1
Insurance	927	1,000	1,008	1,008	974
Dues and subscriptions	-	-	-	50	50
Reimbursements	88	-	40	-	-
Travel expenses	106	5	162	250	109
Total operating expenses	<u>7,713</u>	<u>8,867</u>	<u>7,654</u>	<u>10,134</u>	<u>3,289</u>
Net operating income (loss)	<u>4,334</u>	<u>3,128</u>	<u>4,339</u>	<u>1,825</u>	<u>8,688</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	1,420	2,057	1,652	945	755
Total non-operating revenues (expenses)	<u>1,420</u>	<u>2,057</u>	<u>1,652</u>	<u>945</u>	<u>755</u>
Change in Net Position	5,754	5,185	5,991	2,770	9,443
Net Position, Beginning of Year	<u>92,927</u>	<u>87,742</u>	<u>81,751</u>	<u>78,981</u>	<u>69,538</u>
Net Position, End of Year	<u>\$ 98,681</u>	<u>\$ 92,927</u>	<u>\$ 87,742</u>	<u>\$ 81,751</u>	<u>\$ 78,981</u>

SAND CREEK FLOOD CONTROL DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021, 2020, 2019, 2018 AND 2017

	2021	2020	2019	2018	2017
Cash Flows from Operating Activities:					
Cash received from operating activities	\$ 12,047	\$ 11,995	\$ 11,993	\$ 11,959	\$ 11,977
Payments to vendors for operating activities	<u>(4,661)</u>	<u>(6,471)</u>	<u>(7,646)</u>	<u>(10,134)</u>	<u>(3,323)</u>
Net cash provided (used) by operating activities	<u>7,386</u>	<u>5,524</u>	<u>4,347</u>	<u>1,825</u>	<u>8,654</u>
Cash Flows from Investing Activities:					
Interest income received	<u>1,420</u>	<u>2,057</u>	<u>1,652</u>	<u>945</u>	<u>755</u>
Net cash provided (used) by investing activities	<u>1,420</u>	<u>2,057</u>	<u>1,652</u>	<u>945</u>	<u>755</u>
Net increase (decrease) in cash and cash equivalents	<u>8,806</u>	<u>7,581</u>	<u>5,999</u>	<u>2,770</u>	<u>9,409</u>
Cash and Cash Equivalents, Beginning of Year	<u>94,323</u>	<u>86,742</u>	<u>80,743</u>	<u>77,973</u>	<u>68,564</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 103,129</u></u>	<u><u>\$ 94,323</u></u>	<u><u>\$ 86,742</u></u>	<u><u>\$ 80,743</u></u>	<u><u>\$ 77,973</u></u>
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ 4,334	\$ 3,128	\$ 4,339	\$ 1,825	\$ 8,688
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
Prepaid expenses	-	1,000	8	-	(34)
Accounts payable	<u>3,052</u>	<u>1,396</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ 7,386</u></u>	<u><u>\$ 5,524</u></u>	<u><u>\$ 4,347</u></u>	<u><u>\$ 1,825</u></u>	<u><u>\$ 8,654</u></u>

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

SAND CREEK FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Sand Creek Flood Control District (the District) was formed in 1988 under California law, as a legal body to provide flood prevention, via monitoring of drain ditch lines to prevent overflow and flooding, including spraying of weeds to keep the Sand Creek Drain clear of any debris. The District is governed by a five-person Board of Directors elected to serve alternating four-year terms. The District encompasses an approximate 11,600-acre watershed area located one mile east of the community of Denair. The District does not provide water delivery services to the landowners in the District.

The District is wholly funded by special benefit assessments and interest earnings. The County of Stanislaus provides billing services and collection services for the District. The District does not employ individuals; however, it has hired an outside contractor for administrative and secretarial duties.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

All activities of the District are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body 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 users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation.

The District's operating revenues consist mainly from special assessment tax revenues. Operating expenses include weed maintenance fees, insurance fees, professional fees, general and administrative expenses, and other expenses incurred in operating the District. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as non-operating revenues and expenses. All activities of the District are reported under one major proprietary (enterprise) fund.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Cash and Cash Equivalents: For purposes of reporting the Statements of Cash Flows, the District considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents.

Accounts Receivable: The District's accounts receivables, when applicable, include property taxes assessed for the current or preceding reporting periods but not received until the following fiscal year(s). The District utilizes the allowance method of accounting for uncollectible or doubtful accounts based on historical experience and current information as it becomes available. There was no allowance for doubtful accounts recorded at June 30, 2017 through June 30, 2021. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**SAND CREEK FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable: Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's accounts payable balance as of June 30, 2021 through June 30, 2017 was \$4,448, \$0, \$0, \$0 and \$0, respectively.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. The Statements of Net Position reports total net position and presents it in three broad components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District's Board of Directors. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents and accounts payable, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of Net Position. The carrying amounts of these financial instruments approximate fair value because of the short-term maturities of these instruments.

Special Benefit Assessments: The District receives a limited amount of special benefit assessments to fund its services. The special assessments are based upon the degree of benefit received by each parcel within the District boundaries.

Governmental Accounting Standards Update: During the year ending June 30, 2021, the District implemented the following standards:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

SAND CREEK FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through April 4, 2022, which is the date the financial statements were available to be issued.

SAND CREEK FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2021, 2020, 2019, 2018 and 2017 are classified in the accompanying Statements of Net Position as follows:

	2021	2020	2019	2018	2017
Cash and cash equivalents	<u>\$ 103,129</u>	<u>\$ 94,323</u>	<u>\$ 86,742</u>	<u>\$ 80,743</u>	<u>\$ 77,973</u>
Total cash and cash equivalents	<u>\$ 103,129</u>	<u>\$ 94,323</u>	<u>\$ 86,742</u>	<u>\$ 80,743</u>	<u>\$ 77,973</u>

Cash and cash equivalents at June 30, 2021, 2020, 2019, 2018 and 2017 consisted of the following:

	2021	2020	2019	2018	2017
Deposits with Stanislaus County cash and investments pool	<u>\$ 103,129</u>	<u>\$ 94,323</u>	<u>\$ 86,742</u>	<u>\$ 80,743</u>	<u>\$ 77,973</u>
Total cash and cash equivalents	<u>\$ 103,129</u>	<u>\$ 94,323</u>	<u>\$ 86,742</u>	<u>\$ 80,743</u>	<u>\$ 77,973</u>

Credit Risk: State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The District's policies place no limit on the amount the District may invest in any one issuer.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**SAND CREEK FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – COVID-19 CONTINGENCY

Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of Emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other action that may be taken by the governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown.



**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**

To the Board of Directors
Sand Creek Flood Control District

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 Sand Creek Flood Control District (the District) as of June 30, 2021 through June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District'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 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 these limitations, during our audits 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California

April 4, 2022