# Lake County Resource Conservation District

## FINANCIAL STATEMENTS

## AUDIT REPORT

## June 30, 2023

**January 2, 2024**

Lake County Resource Conservation District

Lakeport, CA 95453

**INDEPENDENT AUDITOR'S REPORT**

**Opinions**

We have audited the accompanying financial statements of Lake County Resource Conservation District as of and for the year-ended June 30, 2023, as listed in the Table of Contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake County Resource Conservation District as of June 30, 2023, and the respective changes in financial position, and cash flows where applicable for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

The District's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The District's ability to continue as a going concern for twelve months beyond the financial statem ent date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,



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individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

**Other Matters**

The District has not presented Management's Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require 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 financial statements in an appropriate operational, economic, or historical context.

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**Lake County Resource Conservation District**

**Audit Report**
**June 30, 2023**

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# Lake County Resource Conservation District

## Balance Sheet
## June 30, 2023

| | General | Special Revenue |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 46,971 | $ 54,584 |
| Reserved Cash | 16,046 | - |
| Accounts Receivable | 8,680 | - |
| Prepaids | - | - |
| **TOTAL ASSETS** | 71,697 | 54,584 |
| **LIABILITIES & FUND BALANCES** | | |
| Liabilities: | | |
| Accounts Payable | 10,991 | - |
| Unearned Revenue | 25,000 | - |
| Total Current Liabilities | 35,991 | - |
| Total Liabilities | 35,991 | - |
| Fund Balances: | | |
| Unassigned | 19,660 | 54,584 |
| Committed | - | - |
| Assigned | 16,046 | - |
| Total Fund Balance | 35,706 | 54,584 |
| **TOTAL LIABILITIES & FUND BALANCE** | $ 71,697 | $ 54,584 |
| Fund Balance | 35,706 | 54,584 |
| Amounts reported for governmental activities on the Statement of Net Assets are different because: | | |
| Capital Assets are not current financial resources and therefore are not reported in the funds. | - | - |
| Long-term liabilities, including bonds payable are not due in the current period and therefore are not reported in the funds. | - | - |
| Net Position of governmental activities | $ 35,706 | $ 54,584 |

# Lake County Resource Conservation District

## Statement of Revenues, Expenditures & Change in Fund Balance
## For the Year Ended
## June 30, 2023

| REVENUE | General | Special Revenue |
|---|---|---|
| Charges for Service | $ - | $ - |
| Other Revenue | 4,348 | - |
| Intergovernmental | 65,587 | - |
| Interest | 1,301 | - |
| Grants and Contributions | 70,907 | - |
| Taxes | - | 27,431 |
| **TOTAL REVENUE** | 142,143 | 27,431 |
| **EXPENDITURES** | | |
| Salaries and Employee Benefits | 95,420 | 13,595 |
| Fixed Assets | - | - |
| Insurance | 3,016 | 2,663 |
| Professional Fees | 42,607 | 9,226 |
| Resource Management | 809 | - |
| Services, Supplies and Refunds | 7,069 | - |
| **TOTAL EXPENDITURES** | 148,921 | 25,484 |
| **Excess (Deficit) Revenues over Expenditures** | (6,778) | 1,947 |
| **CHANGE IN FUND BALANCE** | (6,778) | 1,947 |
| **FUND BALANCE, BEGINNING OF YEAR** | 42,484 | 52,637 |
| **FUND BALANCE, END OF YEAR** | $ 35,706 | $ 54,584 |
| Reconciliation of net change in Fund Balance To the change in net position reported for governmental activities in the statement of activities is different because: | $ (6,778) | $ 1,947 |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated lives and reported as depreciation expense. This is the amount which capital outlays exceed depreciation in the current period. | - | - |
| The issuance of long term debt provides current resources to governmental funds, while the payment of the principle consumes resources. This amount is the net effect of the differences in the treatment of long-term debt. | - | - |
| Change in Net Position of Governmental Activities | $ (6,778) | $ 1,947 |

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

# Lake County Resource Conservation District

## Statement of Net Position
## June 30, 2023

| | | General |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash in County Treasury - Reserved | $ | 16,046 |
| Cash in County Treasury | | 101,555 |
| Accounts Receivable | | 8,680 |
| Prepaid Expenses | | - |
| Total Current Assets | | 126,281 |
| **TOTAL ASSETS** | | 126,281 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts Payable | | 10,991 |
| Unearned Revnue | | 25,000 |
| Total Current Liabilities | | 35,991 |
| **TOTAL LIABILITIES** | | 35,991 |
| **NET POSITION** | | |
| Unrestricted | | 90,290 |
| **TOTAL NET POSITION** | $ | 90,290 |

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

# Lake County Resource Conservation District

## Statement of Activities
## For the Year-Ending
## June 30, 2023

| | General |
|---|---|
| **EXPENSES** | |
| | |
| Program Expenses: | |
| Insurance | 5,679 |
| Professional Fees | 51,833 |
| Resource Management | 809 |
| Salaries and Employee Benefits | 109,015 |
| Services and Supplies | 7,069 |
| | |
| **TOTAL EXPENSES** | 174,405 |
| | |
| **REVENUE** | |
| | |
| Program Revenue: | |
| Grants and Contributions | 70,907 |
| Intergovernmental | 65,587 |
| Charges for Services | - |
| | |
| Total Program Revenue | 136,494 |
| | |
| General Revenue: | |
| Taxes | 27,431 |
| Use of Money and Property | 1,301 |
| Other Income | 4,348 |
| | |
| Total General Revenue | 33,080 |
| | |
| **TOTAL REVENUE** | 169,574 |
| | |
| **EXCESS (DEFICIT) OF REVENUES OVER EXPENSES** | (4,831) |
| | |
| **NET CHANGE IN NET POSITION** | (4,831) |
| | |
| **NET POSITION, BEGINNING OF YEAR** | 95,121 |
| | |
| **NET POSITION, END OF YEAR** | $ 90,290 |

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

# Lake County Resource Conservation District

**Notes to Financial Statements**
**For the Year-Ended**
**June 30, 2023**

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake County Resource Conservation District have been prepared in conformity with generally accepted account principals as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and reporting principals. The most significant of the District's accounting policies are described below.

### A. Description of the Reporting Entity

The Lake County Resource Conservation District was formed on July 1 2016, by the consolidation of the East Lake and West Lake Conservation Districts. The District operates under the provisions of Sections 9000-9634 of the *California Public Resources Code* and provides assistance to individuals, groups, and governmental agencies in erosion and sediment control, a wide range of watershed projects, and other types of resource conservation projects.

The District is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of seven board members.

The Board appoints the President (person) of the Board from existing board members. The President responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and its employees.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) impose its will over the organization Or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the district. Using these criteria, the District has no component units. The financial statements, the statements of net assets, activities, and cash flows report information on all of the activities of the District.

### B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## C. Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

## D. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function or segment. Program revenues include (1) charges paid by the recipients of services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes are presented instead as general revenues.

*Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental assets and liabilities is reported as fund balance. The District reports using the major governmental fund of General Fund. The District reports the following major governmental funds:

*General Fund* – The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the District.

*Exchange and Non-Exchange Transactions of Revenues* – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The assessor of the County determines the assessed valuations of such property and the tax collector of the County collects the taxes. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

*Expenses/Expenditures-* On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

## E. Cash

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term Investments with original maturities of three months or less from the date of acquisition. To maximize investment opportunities, the District participates in a pooling of cash and investment income with other local agencies. Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value; fair value is based on quoted market prices.

As of June 30, 2023, the District had the following investments:

| | Fair Value | Rating | Rating Agency |
|---|---|---|---|
| Cash in County | $117,601 | Unrated | NA |

*Interest rate risk*. - The District does not currently have a policy regarding interest rate risk.

*Credit risk*. - The District does not have a formal policy regarding credit risk.

*Custodial credit risk*. -The District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. Cash in local bank is covered by federal depository insurance.

*Concentration of credit risk*. - The District does not have a policy for concentration of credit risk.

## F. Accounts Receivable

On an accrual basis, revenues from charges for services are recognized in the fiscal year in which the services are rendered. Receivables are resources provided to the District on a reimbursement basis.

## G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

## H. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**I. Accounts Payable**

On an accrual basis, expenses/ expenditures are recognized in the fiscal year in which the services are received.

**J. Unearned Revenue**

The District reports unearned revenue on its governmental funds balance sheet. unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**K. Net Position**

The District’s net position represent the difference between its assets and liabilities in the statement of net assets. Net position is reported as restricted when there are legal limitations imposed on their use by their source. Portions of the unreserved net position or fund balance may be designated to indicate tentative plans for financial resources utilization in a future period, such as for general contingencies, purchase of capital assets, or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenditures

**L. Estimates**

The preparation of financial statements with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

## NOTE 2: USE OF RESTRICTED/UNRESTRICTED NET POSITION

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District’s policy is to apply restricted net position first.

## NOTE 3: COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

**NOTE 4: CONCENTRATION OF REVENUE SOURCES**

During the year-ended the District had two major revenue sources that accounted for a material amount of the Districts revenues. Loss of these revenue sources could material affect the District's operations.

**NOTE 5—NET POSITION/FUND BALANCES**

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted, and unrestricted.

_ Net Investment In Capital Assets—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

_ Restricted Net Position—This category reflects net position that are subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

_ Unrestricted Net Position—This category represents net position of the entity not restricted for any project or other purpose. Outstanding liabilities attributable to these assets reduce the balance of this category.

**Fund Statement—Fund Balances**
In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Nonspendable fund balance—includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories or prepaid amounts and also include the long-term receivables, including long-term advances to other funds.

Restricted fund balance—includes amounts with constraints on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance—includes amounts that can only be used for the specific purposes determined by formal action of the entity's highest level of decision-making authority, the entity's Board. Commitments may be changed only by the entity taking the same formal action that originally imposed the constraint.

Assigned fund balance—includes amounts that are constrained by the entity's intent to be used for specific purposes. The intent can be expressed by either the highest level of decision making, or by a body or an official to which the Board has delegated the authority. This is also the classification for residual amounts in governmental funds, other than the General Fund.

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2023, the District contracted with private insurance for liability, property, crime damage, and employee and director insurances.

**NOTE 7: CONTIGENCIES**

As of June 30, 2023, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

**NOTE 8: District consolidation**

The Lake County Resource Conservation District was formed on July 1 2016, by the consolidation of the East Lake and West Lake Conservation Districts.

**NOTE 9: DATE OF MANAGEMENT'S REVIEW**

Subsequent events have been evaluated through **January 2, 2024**, which is the date the financial statements were available to be issued

# Lake County Resource Conservation District

## Supplemental Information

## June 30, 2023

January 2, 2024

Board of Directors
Lake County Resource Conservation District

Lakeport, CA 95453

**INDEPENDENT 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***

We have audited, 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 (Government Auditing Standards), the financial statements of the governmental activities and each major fund of the Lake County Resource Conservation District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated **January 2, 2024**.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.



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**INDEPENDENT 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***
***(continued)***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County Resource Conservation District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PNPCPA