SHAFTER RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED
JUNE 30, 2022

SHAFTER RECREATION AND PARK DISTRICT
JUNE 30, 2022

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Shafter Recreation and Park District
Shafter, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Shafter Recreation and Park District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

Management is responsible for the preparation and fair presentation of the 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 statement 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

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and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* 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, 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to the District's defined benefit pension plan and supplemental schedule of revenues, expenditures, and changes in fund balance – budget and actual – General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 11, 2023

FINANCIAL STATEMENTS

SHAFTER RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets:	
Cash and investments	$ 905,776
Grant receivable	203,254
Capital assets:	
Land	2,447,118
Construction in progress	199,132
Depreciable assets, net of accumulated depreciation	355,964
Total Assets	4,111,244
Deferred Outflows of Resources:	
Deferred pensions	322,080
Total Deferred Outflows of Resources	322,080
Liabilities:	
Accounts payable	52,255
Accrued wages and benefits	37,121
Accrued compensated absences	29,900
Net pension liability	619,606
Total Current Liabilities	738,882
Deferred Inflows of Resources:	
Deferred pensions	162,488
Total Deferred Inflows of Resources	162,488
Net Position:	
Net investment in capital assets	3,002,214
Unrestricted	529,740
Total Net Position	$ 3,531,954

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

SHAFTER RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues			Net (Expenses)
Functions/Programs	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenues and Changes in Net Position
Governmental Activities:					
Recreation and Parks	$ 1,065,861	$ 199,954	$ -	$ 203,254	$ (662,653)
Total Governmental Activities	$ 1,065,861	$ 199,954	$ -	$ 203,254	(662,653)
	General Revenues:				
	Property tax				665,317
	Unrestricted investment earnings				13,805
	Total General Revenues				679,122
	Changes in Net Position				16,469
	Net Position, Beginning				3,515,485
	Net Position, Ending				$ 3,531,954

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

SHAFTER RECREATION AND PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2022

		General
Assets:		
Cash and investments	$	905,776
Grant receivable		203,254
Total Assets	$	1,109,030
Liabilities:		
Accounts payable	$	52,255
Accrued payroll		37,121
Total Liabilities		89,376
Fund Balance:		
Unassigned		1,019,654
Total Fund Balance		1,019,654
Total Liabilities and Fund Balance	$	1,109,030

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

SHAFTER RECREATION AND PARK DISTRICT
RECONCILIATION OF THE FUND BALANCE OF THE GOVERNMENTAL FUND TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
JUNE 30, 2022

Fund balance of the governmental fund		$ 1,019,654
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.		
Beginning Balance, Net of Depreciation	$ 2,967,381	
Current Year Additions	67,395	
Current Year Depreciation	(32,562)	
Ending Balance, Net of Depreciation		3,002,214
Deferred outflows of resources for the pension plan are reported in the Statement of Net Position.		322,080
Deferred inflows of resources for the pension plan are reported in the Statement of Net Position.		(162,488)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the Governmental Fund Balance Sheet. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Net Pension Liability	(619,606)	
Compensated Absences	(29,900)	
		(649,506)
Net position of governmental activities		$ 3,531,954

SHAFTER RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General
Revenues:	
Property taxes	$ 665,317
Programs and concessions	199,954
Grant revenue	203,254
Interest	3,116
Other revenues	10,689
Total Revenues	1,082,330
Expenditures:	
Current:	
Salaries and employee benefits	521,052
Services and supplies	401,946
Capital Outlay:	
Improvements	61,141
Machinery	6,254
Total Expenditures	990,393
Revenues Over Expenditures	91,937
Fund Balance - Beginning	927,717
Fund Balance - Ending	$ 1,019,654

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

SHAFTER RECREATION AND PARK DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balance - total governmental fund	$ 91,937
Amounts reported for governmental activities in the Statement of Activities are different because:	
The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures ($67,395) were exceeded by depreciation ($32,562) in the current period.	34,833
The change in accrued net pension liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund.	(107,341)
Long-term compensated absences expenses reported in the Statement of Activities do not required the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	(2,960)
Change in net position of governmental activities	$ 16,469

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Shafter Recreation and Park District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the District's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Reporting Entity

The District was established on June 27, 1978. The District operates under a Board of Directors whose members are elected by registered voters within the District. The District covers, in general, the unincorporated and incorporated area within the Maple and Richland-Lerdo School Districts.

The purpose of the District is to provide leisure time and sporting activities for the people residing in the District. This is accomplished by the development of supervised programs and cooperative efforts with other agencies in the area which provide like services.

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the reporting entity, including all of the fund types and account groups of the District.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses have been allocated to major functions in order to present a more accurate and complete picture of the cost of services. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

B. Basis of Presentation (Continued)

<u>Fund Financial Statements</u> (Continued)

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

c. The government has determined that a fund is important to the financial statement user.

The major funds of the District are as follows:

Governmental Funds

The <u>General Fund</u> is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The revenues of the General Fund consist mostly of property tax and user fees.

Proprietary Funds

None.

Fiduciary Funds

None.

C. Measurement Focus and Basis of Accounting

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.

<u>Measurement Focus</u>

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

C. Measurement Focus and Basis of Accounting

<u>Measurement Focus</u> (Continued)

All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their Balance Sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

<u>Basis of Accounting</u>

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues which are susceptible to accrual include property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. Grant funds and reimbursements of expenses under contractual agreements are reported in governmental fund types and are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

D. Assets, Liabilities, Net Position or Fund Balance, and Other Financial Statement Items

<u>Cash and Investments</u>

Cash balances of each of the District's funds are held in separate accounts.

Statutes authorize investments in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, bakers' acceptances, repurchase agreements, money market funds, and investment pools.

Investments are primarily comprised of holdings in investment pools. Investments are stated at fair value.

<u>Receivables</u>

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

<u>Property Taxes</u>

Secured property taxes are levied during September of each year for the fiscal year beginning with the preceding July 1 and ending the following June 30. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. The Kern County Assessor establishes the value of the property on January 1. Taxes are payable in two installments on November 1 and

NOTE 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Assets, Liabilities, Net Position or Fund Balance, and Other Financial Statement Items (Continued)

Property Taxes (Continued)

February 1, and are delinquent if not paid by December 10 and April 10, respectively. In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the county and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The county collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, irrigation and drainage systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than $1,000 ($5,000 for infrastructure) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	20
Machinery and equipment	5 - 8
Infrastructure	20 - 75

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

The District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*.

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund financial statements, which use the modified accrual basis of accounting.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

D. Assets, Liabilities, Net Position or Fund Balance, and Other Financial Statement Items (Continued)

<u>Pensions</u> (Continued)

In general, the District recognizes a net pension liability that represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by Kern County Employees' Retirement Association (KCERA). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits as of the beginning of the measurement period and are recorded as a component of pension expense.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pension and pension expense, information about the fiduciary net position of the District's pension plan with KCERA and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by KCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period.

<u>Net Position</u>

The government-wide financial statements utilize a net position presentation. Net position is categorized as followed:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 presents amounts with external restrictions imposed on their use by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, it is the District's policy to use restricted net position first, and then unrestricted net position as it is needed.

<u>Fund Balance – Governmental Funds</u>

Fund balances of the governmental funds are presented in the financial statements based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Fund balances are classified as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position or Fund Balance, and Other Financial Statement Items (Continued)

Fund Balance – Governmental Funds (Continued)

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by a formal action by Board of Directors resolution. This includes the budget reserve account.

Assigned – Amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the District Manager.

Unassigned – All other spendable amounts.

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the District's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance: Restricted, Committed, Assigned, and Unassigned.

The District does not have a formal minimum fund balance requirements.

Appropriated Budget and Budgetary Control

The Board of Directors is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund. The budget is presented for reporting purposes on a budgetary basis consistent with accounting principles generally accepted in the United States of America.

The level of appropriated budgetary control is at the functional departmental level. The District Manager may authorize transfers of appropriations within a departmental function. Expenditures may not legally exceed total departmental appropriations. Supplemental appropriations during the year must be approved by the Board of Directors by a majority vote. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2022, consist of the following:

Cash on hand	$	542
Demand deposits		677,447
External cash pool - County of Kern		227,787
	$	905,776

Deposits

Custodial credit risk – In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial credit risk. As of June 30, 2022, the District had no exposure to custodial credit risk as the entire demand deposit balance was covered by FDIC insurance. However, at times throughout the year these balances may exceed the federally insured limit.

Investments

The District categorizes the fair value measurements of its investments based on the hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All the District's investments are with the County of Kern External Cash Pool, are valued at $227,787, and are based on Level 2 inputs.

Interest rate risk – The District has no investment policy for interest rate risk.

Credit quality rating – The District has no investments in debt securities and therefore there is no credit quality rating to disclose. The District has no investment policy for credit quality ratings.

Concentration of credit risk – The District has no investment policy for concentration of credit risk.

Custodial credit risk – The District has no investment policy for custodial credit risk.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2022, consist of the following:

Grant receivable	$	203,254
	$	203,254

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, is as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 2,447,118	$ -	$ -	$ 2,447,118
Construction in progress	137,991	61,141	-	199,132
Total capital assets, not being depreciated	2,585,109	61,141	-	2,646,250
Capital assets, being depreciated				
Buildings and improvements	601,060	-	-	601,060
Machinery and equipment	232,181	6,254	-	238,435
Total capital assets, being depreciated	833,241	6,254	-	839,495
Less accumulated depreciation for:				
Buildings and improvements	319,330	9,433	-	328,763
Machinery and equipment	131,639	23,129	-	154,768
Total accumulated depreciation	450,969	32,562	-	483,531
Total capital assets, being depreciated, net	382,272	(26,308)	-	355,964
Governmental activities capital assets, net	$ 2,967,381	$ 34,833	$ -	$ 3,002,214

Depreciation charged to Recreation Programs on the Statement of Activities during the year was $32,562.

NOTE 5 – COMPENSATED ABSENCES

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 26,940	$ 2,960	$ -	$ 29,900	$ -

NOTE 6 – 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 Statement 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 that applies to a future reporting period and so will not be recognized as an expense or expenditure until then. The District has one item reportable on the Government-Wide Statement of Net Position that meets this criterion, the deferred outflows of resources from changes in the net pension liability.

NOTE 6 – <u>DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES</u> (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflows of resources is defined as an acquisition of net position that applies to a future reporting period and so will not be recognized as revenue until then. The District has one item reportable on the Government-Wide Statement of Net Position that meets this criterion, the deferred inflows of resources from changes in the net pension liability.

NOTE 7 – <u>PUBLIC ENTITY RISK POOLS</u>

The District maintains self-insurance programs for workers' compensation, property, and liability coverage through its membership in California Association for Park and Recreation Indemnity (CAPRI). CAPRI is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code. The purpose of CAPRI is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. CAPRI is governed by a board consisting of representatives from member districts. The District does not exercise any control over activities of CAPRI beyond its representation on the Board of Directors. Contributions are determined in advance of each membership year and members are subject to dividends and/or assessments.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years.

The District's coverage is as follows:

Comprehensive General Liability coverage including Automobile Liability coverage with a $750,000 limit per occurrence for personal injury and property damage to which coverage applies. CAPRI also purchases an excess policy from Public Risk Innovation, Solutions, and Management (PRISM) with limits of $24 million excess of $1 million. There is no deductible to the member district for General Liability claims.

Public Officials and Employee Liability coverage has a $25 million annual aggregate limit per member district because of wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability there is a $20,000 deductible payable by the member district or other covered party, which shall be applied to any payment for judgment or settlement and to payments for defense costs as they are incurred. If the member district consults with experienced council or CAPRI, the deductible could be reduced to $5,000.

All-Risk Property Loss coverage including Boiler and Machinery coverage is subject to a $2,000 deductible per occurrence payable by the member district. All risk property coverage has a limit of $1 billion per occurrence shared by the membership. Boiler and Machinery has an excess limit of $100 million. Earthquake coverage has an annual aggregate limit of $5 million for all member districts. Flood has an annual aggregate limit of $10 million for all member districts. The deductible for all loss or damage arising from the risk of earthquake is $50,000 per occurrence or 5% of the value of the building, contents, and/or structure damage, whichever is greater. The deductible for all loss or damage arising from the risk of flood and wildfire is $50,000.

Workers' Compensation coverage is within statutory limits. There is no deductible for the Workers' Compensation program.

NOTE 8 – <u>LOAN</u>

<u>Loan Description</u>

In December 2020, the District obtained a loan in the amount of $350,000 with an initial interest rate of 4.250% and an original maturity date of April 5, 2021. The loan was then extended to a revised maturity date of January 5, 2022, and paid off in the current fiscal year so the ending balance at year-end is $0.

NOTE 9 – RETIREMENT PLAN

Plan Description

The District contributes to the Kern County Employees' Retirement Association (KCERA) which is a cost sharing multiple employer defined benefit pension plan administered by the KCERA Board of Retirement. KCERA acts as a common investment and administrative agent for the County of Kern and various special districts and government entities in Kern County. Benefit provisions are established by state statutes within the Public Employees' Retirement Law. KCERA issues a separate annual comprehensive financial report which is publicly available and can be obtained at KCERA website or by contacting KCERA's office at 1125 River Run Blvd., Bakersfield, CA 93311.

Benefits Provided

KCERA provides retirement, disability, beneficiary, cost-of-living, and supplemental retirement benefits to eligible employees. All regular full-time employees who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the first full biweekly payroll period following the date of employment. There are separate retirement benefits for General and Safety members.

General members (excluding Tier III) are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire once they have attained the age of 70 regardless of service or at age 52 and have acquired 5 or more years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit, and retirement plan and tier.

General member benefits for Tier I and Tier II are calculated pursuant to the provisions of California Government Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of final average compensation times years of accrued retirement service credit times age factor from Section 31676.17 (Tier I) or 1/90th of final average compensation times years of accrued retirement service credit times age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the final average compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members in Tier I or Tier II, the maximum monthly retirement allowance is 100% of final average compensation. There is no final average compensation limit on the maximum retirement benefit for General Tier III members. However, the maximum amount of compensation earnable that can be taken into account for 2019 for members with membership dates on or after July 1, 1996, but before January 1, 2013, is $280,000. For members with membership dates on or after January 1, 2013, the maximum amount of pensionable compensation that can be taken into account for 2020 is equal to $126,291 for those enrolled in Social Security. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

Final average compensation consists of the highest 12 consecutive months of pensionable pay for a General Tier I or Tier IIA member and the highest 36 consecutive months of pensionable pay for a General Tier IIB or Tier III member or a Safety Tier IIB member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each

NOTE 9 – RETIREMENT PLAN (Continued)

Benefits Provided (Continued)

of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

KCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area, is capped at 2.5%.

As of the June 30, 2021 measurement date, the District had the following employees covered by benefit term:

Retired member or beneficiaries currently receiving benefits	-
Vested terminated members entitled to, but not yet receiving benefits	1
Active members	4
	5

Contributions

The County of Kern and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from KCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2021, for 2020-21 (based on the June 30, 2019 valuation and after reflecting the phase-in of the impact of the assumption changes) was 49.10% of compensation.

Members are required to make contributions to KCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2021, for 2020-21 (based on the June 30, 2019 valuation) was 6.58% of compensation.

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2022, the District reported a liability of $619,606 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The fiduciary net position was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from the actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the District's proportion was 0.033% percent, which was an increase of 0.003% from its proportion measured as of June 30, 2020.

NOTE 9 – RETIREMENT PLAN (Continued)

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2022, the District recognized pension expense of $177,022 At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 31,484	$ -
Difference between expected and actual experience	-	21,882
Difference between projected and actual investment earnings	-	140,606
Changes in proportion and differences between employer's contributions and proportionate share of contributions	221,448	-
Pension contributions made subsequent to measurement date	69,148	-
Total	$ 322,080	$ 162,488

The $69,148 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ 61,748
2024	43,236
2025	20,411
2026	(34,951)
2027	-
Thereafter	-
Total	$ 90,444

NOTE 9 – RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2021, that was measured by an actuarial valuation as of June 30, 2020, used the same actuarial assumptions and actuarial cost method as the June 30, 2020 funding valuation. The actuarial assumptions used in both valuations were based on the results of an experience study for the period from July 1, 2016, through June 30, 2019. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Inflation	2.75%
Salary Increases	4.00% to 8.75% varying by service, including inflation.
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation.
Administrative Expenses	0.90% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
Other Assumptions	Same as those used in the June 30, 2020 funding valuations. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2016 through June 30, 2019.

The Entry Age Actuarial Cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the service cost and total pension liability with one exception. For purposes of measuring the service cost and total pension liability, KCERA reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the Normal Cost is determined as if the current accrual rate had always been in effect.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class can be found in KCERA's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

NOTE 9 – RETIREMENT PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability as of June 30, 2021, calculated using a discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.25%) or one point higher (8.25%) than the current rate:

	Discount Rate - 1% (6.25%)	Current Discount Rate (7.25%)	Discount Rate + 1% (8.25%)
Plan's Net Pension Liability	$ 933,153	$ 619,606	$ 361,762

Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued KCERA financial report. The plan fiduciary net position may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, for the accounting valuations, KCERA must keep items such as deficiency reserves, fiduciary self-insurance, and other postemployment benefit (OPEB) expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early annual comprehensive financial report closing and final reconciled reserves.

Amortization of Deferred Outflows and Deferred Inflows of Resources

There are changes in each employer's proportionate share of the total net pension liability during the measurement period ended June 30, 2021. The net effect of the change on the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources for the current period is recognized over the average of the expected remaining service lives of all employees that are provided with pensions through KCERA which is 5.05 years determined as of June 30, 2020 (the beginning of the measurement period ending June 30, 2021). In addition, the difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended June 30, 2021, is recognized over the same period.

The net effect of the change on the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources and the difference between the actual employer contributions and the proportionate share of the employer contributions for prior periods continue to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

Payable to the Pension Plan

At June 30, 2022, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2022.

NOTE 10 – OTHER DISCLOSURES

Economic Dependency

Property taxes collected within the County of Kern represent 61% of the District's revenues.

Date of Management Evaluation

Management has evaluated subsequent events through January 11, 2023, the date on which the financial statements were available to be issued.

NOTE 10 – <u>OTHER DISCLOSURES</u> (Continued)

Excess of Expenditures over Appropriations

For the year ended June 30, 2022, some expenditures exceeded appropriations related to land and improvements. The over expenditures were funded from current tax revenue, programs, and grant revenue.

Capital outlay:		
Improvements	$	61,141
Equipment		6,254

Contingencies

The District has a contingent property tax liability for its share of tax refund claims pending against the County of Kern attributable to taxes paid by property owners but disputed. Because both the amount of the contingency and the expected outcome cannot be determined, the liability has not been provided for in the financial statements. At June 30, 2022, the latest date reported by the County of Kern, the contingent liability was $71,824.

REQUIRED SUPPLEMENTARY INFORMATION

SHAFTER RECREATION AND PARK DISTRICT
RETIREMENT PLAN SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2022

Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of the Net Pension Liability	0.033%	0.030%	0.021%	0.017%	0.012%	0.015%
Proportionate Share of the Net Pension Liability	$ 619,606	$ 802,951	$ 511,209	$ 393,653	$ 293,850	$ 356,787
Covered Payroll	$ 197,967	$ 175,737	$ 126,991	$ 103,297	$ 73,697	$ 94,569
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	312.98%	456.90%	402.56%	381.09%	398.73%	377.28%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	69.69%	55.9%	58.5%	59.22%	57.90%	57.15%

Schedule of the District's Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually Required Contribution (Actuarially Determined)	$ 78,194	$ 61,548	$ 44,269	$ 31,411	$ 300,415	$ 38,369
Contributions in Relation to the Actuarially Determined Contribution	78,194	61,548	44,269	31,411	300,415	38,369
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 197,967	$ 175,737	$ 126,991	$ 103,297	$ 73,697	$ 94,569
Contributions as a Percentage of Covered Payroll	39.50%	35.02%	34.86%	30.41%	407.64%	40.57%

Notes to Schedules

Until a full 10-year trend is compiled, the information will be presented for those years for which information is available. Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable.

Change in Assumptions: The discount rate was changed from 7.50% at the June 30, 2016 measurement date to 7.25% at June 30, 2017 measurement date. The inflation rate change from 3.00% at June 30, 2019, to 2.75% at June 30, 2020.

SHAFTER RECREATION AND PARK DISTRICT
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Property taxes	$ 550,000	$ 665,317	$ 115,317
Programs and concessions	212,500	199,954	(12,546)
Grant revenue	120,000	203,254	83,254
Interest	28,000	3,116	(24,884)
Other revenues	11,700	10,689	(1,011)
Total Revenues	922,200	1,082,330	160,130
Expenditures:			
Salaries and employee benefits	539,860	521,052	18,808
Services and supplies	431,735	401,946	29,789
Capital outlay:			-
Improvements	-	61,141	(61,141)
Equipment	-	6,254	(6,254)
Total Expenditures	971,595	990,393	(18,798)
Revenues Over (Under) Expenditures	$ (49,395)	91,937	$ 141,332
Fund Balance - Beginning		927,717	
Fund Balance - Ending		$ 1,019,654	

OTHER INFORMATION

INDEPENDENT AUDITOR'S 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*

Board of Directors
Shafter Recreation and Park District
Shafter, 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 Shafter Recreation and Park District (the District) as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2023.

Report on 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 District'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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Report on 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 statements. 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 11, 2023