

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION
PLAN AND TRUST**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fresno Metropolitan Flood Control District
Money Purchase Pension Plan and Trust

Report on the Financial Statements

We have audited the accompanying statement of net plan position of the Fresno Metropolitan Flood Control District Money Purchase Pension Plan and Trust (the Plan), as of December 31, 2018, and the related statement of changes in net plan position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2018, 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.

Other Matters

Management has omitted the management discussion and analysis (MD&A) 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 June 7, 2019, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
June 7, 2019

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
STATEMENT OF NET PLAN POSITION
DECEMBER 31, 2018**

ASSETS

Investments:	
Mutual funds	\$ 12,236,902
Vantagepoint PLUS stable value fund	4,031,385
Securities	<u>2,840,277</u>
Total investments	19,108,564
Notes receivable from participants	<u>408,712</u>
Total assets	<u>\$ 19,517,276</u>

LIABILITIES AND NET PLAN POSITION

Liabilities	<u>\$ -</u>
Net plan position	<u>\$ 19,517,276</u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
STATEMENT OF CHANGES IN NET PLAN POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018**

**ADDITIONS TO NET PLAN POSITION
POSITION ATTRIBUTED TO:**

Investment income (loss)	
Investment earnings	\$ 277,116
Net depreciation in fair value of investments	<u>(1,275,049)</u>
Total investment income (loss)	<u>(997,933)</u>
Contributions	
Employer	590,328
Employee	321,377
Rollover	<u>12,650</u>
Total contributions	<u>924,355</u>
Total additions	<u>(73,578)</u>

**DEDUCTIONS FROM NET PLAN
POSITION ATTRIBUTED TO:**

Benefits paid to participants	733,537
Administrative expenses	9,970
Loan defaults	<u>9,735</u>
Total deductions	<u>753,242</u>
Net decrease in plan position	(826,820)
Net Plan Position, Beginning of Year	<u>20,344,096</u>
Net Plan Position, End of Year	<u><u>\$ 19,517,276</u></u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – DESCRIPTION OF PLAN

The following description of the Fresno Metropolitan Flood Control District Money Purchase Pension Plan and Trust (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan is a defined contribution plan covering all Fresno Metropolitan Flood Control District (the District) permanent employees who have attained the age of eighteen. Employees become a participant on the date on which satisfaction of the eligibility requirements have been met.

Contributions: All eligible participants hired prior to July 1, 1988, receive bi-weekly employer contributions of 14% of the participant's salary, based on annual compensation, excluding bonuses, overtime, and certain other compensation. The Plan has 5 active members in the 14% tier as of December 31, 2018. All eligible participants hired after June 30, 1988 receive bi-weekly employer contributions of 10% of the participant's salary, based on annual compensation, excluding bonuses, overtime, and certain other compensation. The Plan has 67 active members in the 10% tier as of December 31, 2018.

The Plan mandates bi-weekly employee contributions for participants hired prior to July 1, 1988, to be 6% of the participant's salary, based on annual compensation, excluding bonuses, overtime, and certain other compensation. For participants hired after June 30, 1988, the Plan mandates bi-weekly employee contributions of 5% of participant's salary, based on annual compensation, excluding bonuses, overtime, and certain other compensation.

Each employee upon enrollment in the Plan is given a one-time option to irrevocably elect to make additional employee contributions up to 20%, subject to limitations, of the participant's salary, based on annual compensation, excluding bonuses, overtime, and certain other compensation.

Participant Accounts: Each participant's account is credited with an allocation of the District's contribution and Plan earnings. Employer and employee contributions are allocated based on eligible compensation as defined above. Allocations of earnings are based on participant earnings and their account balances.

Vesting: All participants must meet certain service requirements for vesting. These requirements, as described in the Plan agreement, are as follows: Participants are 25% vested after 2 years of service and an additional 25% after each additional year of service until they are fully vested.

Notes Receivable from Participants: Loans to participants are secured by the balance in the participant's account and bear interest at 4.00 to 5.75 percent at December 31, 2018 for the term of the loan, not to exceed 5 years or 30 years for the purchase of a principle residence.

Payment of Benefits: The normal retirement age is 65. A participant who retires, becomes disabled, or incurs a severance from employment for any other reason may elect, by written notice to the Plan Administrator, to have his or her vested account balance benefits commence on any date. Such election must be made in writing during the 90 day period ending on the date as of which benefit payments are to commence. A participant's election shall be revocable and may be amended by the participant. A participant may elect to have his or her account distributed in equal monthly, quarterly, semi-annual, or annual payments in an amount chosen by the participant and continuing until the account is exhausted, or the participant may elect a lump sum payment.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – DESCRIPTION OF PLAN (continued)

Payment of Benefits (continued): A participant may, upon written request, withdraw a part of or the full amount of his or her Voluntary Contribution Account or Deductible Employee Contribution Account. Such withdrawals may be made at any time, provided that no more than 2 such withdrawals are made during any calendar year. No forfeiture will occur solely as the result of any such withdrawal.

Administrative Costs: Certain administrative costs are being paid for, on behalf of the Plan, by the District.

Forfeited Accounts: Forfeited balances of terminated participants' non-vested accounts are used to reduce the District's current period contribution requirement. For the year ending December 31, 2018, the District had total forfeitures credits of \$5,063.

International City/County Management Association Retirement Corporation (ICMA-RC): On November 18, 2009, the Board of Directors approved the transfer of the Plan to ICMA-RC. The Board of Directors also approved changing the Plan year to a calendar year of January 1 through December 31. This allows the Plan to provide better administration for new enrollments, annual statements, as well as employee tax preparation.

Investment Option: Participants' accounts are self-directed and earnings or losses will be dependent upon the investments chosen. Upon enrollment into the Plan, a participant may direct contributions to any of the investment options available to them in the ICMA-RC's pool.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method: The accompanying financial statements have been presented on the accrual basis of accounting.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Valuation of Investments and Income Recognition: Investments of mutual funds and securities are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed debt quotations are provided by a national brokerage pricing service. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan, with the assistance of a valuation service. Investments in the stable value fund are presented at contract value, which approximates fair value.

Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis of accounting as earned. All realized gains and losses on investments are recognized at the point of sale and are included in investment income. Purchases and sales of investments are recorded as of the trade date, which is the date when the transaction is initiated.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Payment of Benefits: Benefits are recorded when paid.

Notes Receivable from Participants: The Plan's notes receivable from participants are presented at cost or fair value, which is the amount the Plan could reasonably expect to receive. Interest income is recorded when received on the notes receivable. Notes receivable are measured at their unpaid principle balance plus any accrued but unpaid interest. All notes receivable entered after November 18, 2009 and before October 11, 2017 are held and managed by ICMA-RC, including the receipt and determination of past due or delinquency status, and charging off uncollectible receivables. Notes receivable entered before November 18, 2009 and after October 11, 2017 are managed by the District and principal and interest is paid ratably through payroll deductions. Delinquent and uncollectible notes receivable are reclassified as distributions. At December 31, 2018, all notes receivable were deemed to be fully collectible and no allowance for loan losses has been recorded.

Governmental Accounting Standards Update: During the year ending December 31, 2018, the Plan implemented the following standards:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017. The Plan has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.

GASB Statement No. 85 – *Omnibus 2017*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

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

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

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

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined no such events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through June 7, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

The Plan's investments, which consist of various investment funds under the ICMA-RC pooled and guaranteed funds, are valued at fair value. Security transactions are recorded on a trade date basis. Gains and losses on security transactions are recorded quarterly and included with investment earnings. The investment objectives for each investment class are available upon request. The Plan's investments by asset category at December 31, 2018, are as follows:

<u>Investments by Assets Category</u>	<u>Percent of Assets</u>	<u>2018</u>
Mutual Funds:		
Stable Value	21%	\$ 4,031,385
Cash Management	0%	22,776
Bond	7%	1,422,442
Guaranteed Lifetime Income	1%	249,174
Balanced/Asset Allocation	33%	6,313,949
U.S. Stock	18%	3,343,525
International/Global Stock	5%	885,036
Securities:		
Specialty Securities	15%	2,840,277
Total Investments	100%	\$19,108,564

For the year ending December 31, 2018, the Plan's total investments (including investments bought, sold, and held during the year) depreciated in value as follows:

Net depreciation in fair value of investments \$ (1,275,049)

The Plan provides that contributions to the Plan will be invested in certain individual programs as directed by each participant. Participants may change investment options at any time. The fair value of individual investments that represent 5% or more of the Plan's net position, as certified by ICMA-RC, as of December 31, 2018, are as follows:

Stable Value Fund	
Vantagepoint PLUS Fund	\$ 4,031,385
Balanced/Asset Allocation Funds	
Oakmark Equity & Income I	2,671,597
Self-Directed Brokerage Account	
VantageBroker (Securities)	2,634,206

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 4 – FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2018.

Common stocks and corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Money market fund: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Cash and cash equivalents: The carrying amounts reported in the Statement of Net Plan Position for cash and cash equivalents approximate those assets' fair values.

Receivables: The carrying amounts reported in the Statement of Net Plan Position for receivables approximate those assets' fair values.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Notes receivable from participants: The carrying amounts reported in the Statement of Net Plan Position for notes receivables from participants approximate those assets' fair values.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis as of December 31, 2018:

<u>Description</u>	<u>Investments at Fair Value as of December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 12,236,902	\$ -	\$ -	\$ 12,236,902
Stable value fund	4,031,385	-	-	4,031,385
Securities	2,840,277	-	-	2,840,277
Total investments at fair value	<u>\$ 19,108,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,108,564</u>

NOTE 5 – FORFEITURE ACCOUNT

Participant account balances are transferred to a forfeitures account within the Plan when a participant separates from service prior to being vested. The District uses the forfeited funds to reduce its contributions. At December 31, 2018, the Plan's forfeiture account balance was \$1. The District used \$7,705 of forfeiture funds to pay employer contributions during the year ended December 31, 2018.

The transactions that occurred within the forfeiture account during the year ended December 31, 2018 were as follows:

Beginning Balance	\$ 2,587
Non-Vested Transfers	5,063
Investment Income	56
District Employer Contributions	<u>(7,705)</u>
Ending Balance	<u>\$ 1</u>

NOTE 6 – PLAN TERMINATION

Although it has not expressed any intent to do so, the District has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event of Plan termination, participants will become 100% vested in their accounts.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 7 – ANNUITY CONTRACT

The District has established annuity contracts for all participants who were hired on or before June 30, 1988. The District's responsibility with regard to the annuity contracts was limited to making the disbursements to establish annuities and has no further obligation for additional contributions or for making the annuity payments to the participants upon retirement. Mass Mutual Financial Group (Mass Mutual) holds the annuities and will be responsible for making the benefit payments. Accordingly, these annuities meet the definition of an "allocated contract", which under accounting principles generally accepted in the United States of America are to be excluded from the Plan's financial statements as the obligation and related risks have been passed to Mass Mutual. The fair value of the annuities at October 2, 2018, as reported by Mass Mutual was \$157,926.

NOTE 8 – DEFERRED COMPENSATION

In conjunction with the defined contribution plan covering all regular full-time employees of the District, the District also set up a separate, voluntary Deferred Compensation Plan for all eligible employees. Eligible employees may elect at any time to contribute, up to the maximum annual contribution per law, into the Deferred Compensation Plan. The District's responsibility with regard to the Deferred Compensation Plan is limited to deducting the amount and contributing that amount to ICMA-RC and has no further obligation for additional contributions or for making the distribution payments to the participants upon retirement. ICMA-RC holds the plan assets for the Deferred Compensation Plan and will be responsible for making the benefit payments. Accordingly, this plan meets the definition of Internal Revenue Code Section 457, in which all assets and income of the plan are held in trust for the exclusive benefit of the participants, which under accounting principles generally accepted in the United States of America are to be excluded from the Plan's financial statements as the obligation and related risks have been passed to ICMA-RC and all assets are held in trust for the exclusive benefit of the participants. The Fair value of the Deferred Compensation Plan at December 31, 2018, as reported by ICMA-RC is \$9,608,412.

NOTE 9 – TAX STATUS

As described in Note 1, the Board of Directors approved the transfer of the Plan to ICMA-RC on November 18, 2009, starting January 1, 2010. The Internal Revenue Service has issued an opinion and informed ICMA-RC, by a letter dated August 19, 2009, that in their opinion, the form of the Plan is acceptable under Section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. Therefore, no provision for income taxes has been made by the Plan to be included in these financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax position taken by the Plan, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2014.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MONEY PURCHASE PENSION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 10 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Plan Position.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Fresno Metropolitan Flood Control District
Money Purchase Pension Plan and Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fresno Metropolitan Flood Control District Money Purchase Pension Plan and Trust (the Plan), which comprise the statement of net plan position, as of December 31, 2018, and the related statement of changes in net plan position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's financial statements, and have issued our report thereon dated June 7, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
June 7, 2019