

**Department of Water Resources  
DWR Charge Fund  
Financial Statements  
For the year ended June 30, 2020**



**Department of Water Resources DWR Charge Fund**  
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## Independent Auditor's Report

To the Director of the State of California Department of Water Resources  
Department of Water Resources Charge Fund  
Sacramento, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the State of California Department of Water Resources Charge Fund (Fund), an enterprise fund of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic 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.

### Auditor's 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 respective financial position of the Fund, as of June 30, 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter***Reporting Entity*

As disclosed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2020, and the changes in its financial positions and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California

April 28, 2021

# Department of Water Resources DWR Charge Fund

## Management's Discussion and Analysis

### June 30, 2020

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Our discussion and analysis of the financial performance of the California Department of Water Resources (DWR) Charge Fund (Fund) provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information provided here in conjunction with the accompanying basic financial statements.

This discussion and analysis is intended to serve as an introduction to the Fund's financial statement. The financial statement includes three required statements, which provide different views of the Fund. The three required statements are:

- The Statement of Net Position: include all assets and liabilities as of the period ending date.
- The Statement of Revenues, Expenses and Charges in Net Position: presents all of the current revenues, expenses and changes in net position.
- The Statement of Cash Flows: report cash receipts, disbursements and the net change in cash resulting from four principal types of activities: operating, capital financing, non-capital financing and investing.

These statements provide current and long-term information about the Fund and its activities. These financial statements report information using accounting methods similar (although not identical) to those used by private sector companies. In order for the financial statements to be complete, they must be accompanied by a complete set of notes. The notes to financial statements provide disclosures which are required to conform to generally accepted accounting principles. The Fund is required to follow accounting standards promulgated by the Governmental Accounting Standards Board.

#### Financial Highlights

- Fiscal Year 2019-2020 is the first year of operations for Fund. Fund was created under Assembly Bill 1054 (AB 1054) and Assembly Bill 111 (AB 111). The creation of the Fund is further described on Notes 1 Financial Statement.
- The liabilities of the Fund exceeded its assets at the close of the most recent fiscal year by \$2,115 thousand. This resulted from the loan payable to General Fund.
- The Fund's total deficit net position as of June 30, 2020 was \$2,115 thousand.

#### Purpose of Fund

AB 1054, that created the Fund, was signed into law on July 12, 2019, as a result of the dramatic increase in the number and severity of wildfires in California. Approximately 25 percent of California's population live in over 25 million acres of high risk areas leaving them exposed to wildfires during intense dry seasons. The Fund, established in August 2019 is intended to assist in mitigating Wildfire impacts.

The Fund will assist in reducing wildfire financial risks, by providing funding for a system to spread the exposure that Investor-Owned Utilities (IOUs): Pacific Gas & Electric Company, Southern California Edison and San Diego Gas & Electric Company have from wildfire liabilities and payment of wildfire-related claims against the IOUs. The Fund also has the authority to issue revenue bonds up to \$10.5 billion and backed by Non-Bypassable Charges imposed on the IOUs ratepayers. The Fund is able to issue bonds after the Power Supply Revenue Bonds have been legally defeased or paid in full, at maturity.

AB 1054 directs the California Public Utility Commission (CPUC) to order the IOUs to impose and collect Wildfire Non-Bypassable Charges on ratepayers for deposit into the Fund in the same manner as the Electric Power Fund's Bond Charge. The new Wildfire Non-Bypassable Charge is to be equal to the average annual amount of Bond Charges for the Power Supply Revenue Bonds collected from January 1, 2013 through December 31, 2018, which is \$902.4 million per year.

**Department of Water Resources DWR Charge Fund  
Management's Discussion and Analysis  
June 30, 2020**

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AB 1054 directed the CPUC to enter into a Rate Agreement with DWR to establish Wildfire Non-Bypassable Charges. In a decision dated October 24, 2019, the CPUC adopted the Rate Agreement (the "Rate Agreement"). The Rate Agreement consists of a covenant that the CPUC shall calculate, revise and impose from time to time Wildfire Non-Bypassable Charges sufficient to fund at all times the \$902.4 million annual Revenue Requirement, which covenant shall have the force and effect of a "irrevocable financing order" under Section 842(d) of the California Public Utilities Code.

**CONDENSED STATEMENT OF NET POSITION**

The Fund's assets, liabilities and net position as of June 30 are summarized as follows (amounts in thousands):

	<u>2020</u>
<b>Assets</b>	
Current assets	\$ 7,704
<b>Liabilities</b>	
Current liabilities	9,819
<b>Net Position</b>	
Unrestricted	<u>\$ (2,115)</u>

**Current Assets**

The increase in 2019-2020 includes restricted cash in the Administrative Account of \$4,683 and Operating Account of \$3,021 for a total of \$7,704 (thousand).

**Current Liabilities**

The increase in 2019-2020 includes an increase in accounts payable of \$819 and interfund loan payable of \$9,000 (thousands). The interfund loan payable is expected to be repaid in 2020-2021 with Wildfire Non-Bypassable Charges.

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Fund's activities for the year ended June 30 are summarized as follows (amounts in thousands):

**Department of Water Resources DWR Charge Fund**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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	<u>2020</u>
<b>Operating Revenues</b>	
Revenues	\$ -
<b>Operating Expenses</b>	
Expenses	(2,115)
Change in Net Position	<u>(2,115)</u>
Net Position, beginning of year	<u>-</u>
Net Position, end of year (deficit)	<u><u>\$ (2,115)</u></u>

**Operating Expenses**

The increase in operating expenses includes administrative expenses related to the establishment and operating of the Fund. The administrative expenses consist of employees salaries and their benefits, IT, bond counsel and legal consultants.

**Requests for Information**

This financial report is designed to provide a general overview of the Fund's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief, Enterprise Accounting Branch, 1416 Ninth Street Room 816, Sacramento, CA 95814.

**Department of Water Resources DWR Charge Fund**  
**Statement of Net Position**  
**For the year ended June 30, 2020**  
**(amounts in thousands)**

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**Assets**

Current assets:

Restricted cash:

Administrative cost account	\$	4,683
Operating cost account		<u>3,021</u>
Total current assets		<u>7,704</u>
Total assets	\$	<u><u>7,704</u></u>

**Liabilities and Net Position**

Current liabilities:

Accounts payable	\$	819
Interfund loans payable		<u>9,000</u>
Total current liabilities		<u>9,819</u>
Total liabilities		9,819

Net position:

Unrestricted (deficit)		<u>(2,115)</u>
Total liabilities and net position	\$	<u><u>7,704</u></u>



**Department of Water Resources DWR Charge Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2020**  
**(amounts in thousands)**

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Operating revenues:	
Revenue	\$ <u>          -</u>
Operating expenses:	
Administrative expenses	<u>          (2,115)</u>
Total operating expenses	<u>          (2,115)</u>
Loss from operations	<u>          (2,115)</u>
Change in net position	(2,115)
Net position, beginning of year	<u>          -</u>
Net position (deficit), end of year	<u>\$ <u>          (2,115)</u></u>

See accompanying notes to the financial statements

**Department of Water Resources DWR Charge Fund**  
**Statement of Cash Flows**  
**For the year ended June 30, 2020**  
**(amounts in thousands)**

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Cash flows from non-capital financing activities:	
Received interfund loans	<u>9,000</u>
Net cash provided by (used for) in non-capital financing activities	<u>9,000</u>
Changes in restricted cash	7,704
Restricted cash, beginning of period	<u>-</u>
Restricted cash, end of period	<u>\$ 7,704</u>
Restricted cash included in:	
Administrative cost account	\$ 4,683
Operating cost account	<u>3,021</u>
Restricted cash, end of year	<u>\$ 7,704</u>
Reconciliation of income (loss) from operation to net cash	
used in operating activities:	
Income/loss from operations	\$ -
Changes in assets and liabilities to reconcile income	
from operations to net cash provided by (used for) in operations:	
(Increase) Accounts payable	819
Net cash provided by (used for) used in operating activities	<u>\$ 819</u>

See accompanying notes to the financial statements

**Department of Water Resources DWR Charge Fund**  
**Notes to Financial Statements**  
**June 30, 2020**

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**1. Reporting Entity**

In response to the dramatic increase in the number and severity of wildfires, coupled with the intense dry seasons that leave approximately twenty-five percent of California's population living in over 25 million acres of high-risk areas, the Governor convened a Strike Force in early 2019 to address potential solutions to this catastrophic and potentially growing risk.

As a result of the recommendations made by the Strike Force, the California Legislature began drafting legislation with the aim to reduce wildfire risks while also establishing a system to spread the exposure that Investor-Owned Utilities (IOUs) have for liabilities from wildfires. These legislative efforts resulted in AB 1054 and a companion bill, AB 111, with AB 111 primarily covering the oversight and implementation of AB 1054. These bills were signed into law on July 12, 2019. At that time, the California Earthquake Authority (CEA) was designated the fund's interim administrator until the nine-member California Catastrophe Response Council (CCRC) could be formed and appoint an administrator.

On April 23, 2020, the CCRC formally named the CEA the Wildfire Fund Administrator. The CEA is a not-for-profit, privately funded, publicly managed organization. Assets in the CEA fund for residential earthquake insurance policyholders are segregated and separately managed and maintained from assets in the Wildfire Fund.

AB 1054 aims to reduce wildfire risks while establishing a system to spread the exposure that IOUs have for liabilities from wildfires. The legislation, among other things, creates a new fund to facilitate payment of wildfire-related IOU liabilities (the "Wildfire Fund"), and authorizes DWR to issue revenue bonds to help capitalize the Wildfire Fund ("Wildfire Revenue Bonds"). The Wildfire Revenue Bonds cannot be issued until the Power Supply Revenue Bonds (PSRBs) issued pursuant to Section 80134 of the California Water Code have either been legally defeased or paid in full, at maturity.

AB 1054 directed the CPUC to order the IOUs to impose and collect Wildfire Non-Bypassable Charges for deposit into the Fund in the same manner as the Bond Charge for the PSRBs under the Power Supply Program. The new Wildfire Non-Bypassable Charge is to be equal to the average annual amount of Bond Charges for the PSRBs collected from January 1, 2013 through December 31, 2018, which is approximately \$902.4 million per year.

In addition, AB 1054 directed the CPUC to make a just and reasonable determination regarding the Wildfire Non-Bypassable Charges at the onset of the program for the duration of the program. The CPUC in Decision 19-10-056, effective on October 24, 2019, found the imposition of a Wildfire Non-Bypassable Charge to be just and reasonable and therefore approved the imposition and collection of the Wildfire Non-Bypassable Charges. This decision also set \$902.44 million as the annual Revenue Requirement (as defined in the Rate Agreement) to be just and reasonable.

In addition to the foregoing, in Decision 19-10-056 the CPUC adopted a Rate Agreement with DWR, in accordance with AB1054 to establish the Wildfire Non-Bypassable Charges. The Rate Agreement contains a covenant that the CPUC shall calculate, revise and impose from time to time Wildfire Non-Bypassable Charges (the "Wildfire Non-Bypassable Charge") sufficient to fund at all times the \$902.4 million annual Revenue Requirement, which covenant shall have the force and effect of a "irrevocable financing order" under Section 842(d) of the California Public Utilities Code. Any action required by an "irrevocable financing order" is binding upon the CPUC, and the CPUC shall have no authority to rescind, after or amend any requirement thereunder.

# Department of Water Resources DWR Charge Fund

## Notes to Financial Statements

### June 30, 2020

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DWR is prohibited by AB 1054 from issuing Wildfire Revenue Bonds and the CPUC and DWR are prohibited from imposing and collecting the Wildfire Non-Bypassable Charges to support the Wildfire Fund until the PSRBs have been legally defeased or paid in full, at maturity.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Fund is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Fund uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which considers the Fund a Regulated Operation under GASB Statement No. 62. The Fund is accounted for with a set of self-balancing accounts that comprise of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

The financial statements of the Fund are intended to present the financial position, and the changes in financial position and cash flow, of only that portion of the business-type activities and major funds of the State of California that is attributable to the transactions of the Fund. They do not purport to, and do not, present the financial position of the State of California and the changes in its financial position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

### Current Year GASB Implementation – GASB Statement No. 95

GASB Statement No. 95 – In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future GASB Pronouncement section have been updated to reflect the postponed effective dates. The Fund implemented this statement in the fiscal year ended June 30, 2020.

### DWR Charge Fund Account

in its implementation of AB1054, the State of California, Department of Water Resources and the Treasurer of the State of California, as Trustee, established separate restricted cash accounts. The accounts and their purpose follow:

Bond Charge Collection Account: All Non-Bypassable Charge revenue collected from the ratepayers of participating IOUs will be initially deposited into this account;

Debt Service Payment Account: DWR will allocate from the bond charge collection account the amounts necessary to pay the principal of, and premium, if any, and interest on, all Wildfire Revenue Bonds as and when the bonds shall become due as well as for the repayment of loans made from the SMIF to the Wildfire Fund;

# Department of Water Resources DWR Charge Fund

## Notes to Financial Statements

### June 30, 2020

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Operating Cost Account: payments required to be made by the Fund under any contracts, agreements and obligations entered into by the Fund; Wildfire Non-Bypassable Charge servicing costs; costs of preparing and providing information and reports required under any financing documents, the Rate Agreement and the Act; and related audit, legal and consulting fees.

Reserve Account: DWR will allocate from the bond charge collection account monies necessary to maintain adequate reserves in such amount as may be determined by DWR from time to time to be necessary or desirable.

Administrative Cost Account: payments required to be made by the Fund for related reasonable administrative, general and overhead expenses and payments for employee salaries and benefits; costs of complying with arbitrage; and restrictions and rebate requirements relating to the Wildfire Revenue Bonds under section 148 of the Internal Revenue Code of 1986 as amended.

Wildfire Transfer Account: to repay loans made from SMIF to the Wildfire Fund; to repay loans made from General Fund to the Wildfire Fund; to transfer to the Wildfire Fund Administrator for credit to the Wildfire Fund.

There were three accounts: the administrative cost account, operating cost account and debt service payment account used during this fiscal year. The Fund has not started collecting remittances from the IOUs' customers, that are planned to start October 1, 2020.

### 3. Liabilities

#### Accounts payable

Accounts payable reflects one month's accrual for salaries and benefits of employees and legal and consulting fees. Accounts payable as of June 30, 2020 was \$819 thousands.

#### Interfund Transfers payable

First year administrative and operating costs were covered by a one-time interfund transfer of \$9M from the General Fund to the Fund based on Section 80550 of the Water Code, for the purposes of Division 28 (commencing with Section 80500) of the Water Code. This interfund transfer will be repaid within the next year.

### 4. Pass-through Interest Payments

On August 15, 2019, the State of California issued a loan in the amount of \$2 billion from the Surplus Money Investment Fund (SMIF) to the Wildfire Fund. The loan was disbursed directly to the Wildfire Fund from the SMIF and did not pass-through the Fund. Interest on the loan is due quarterly. Section 8055 (b)(3), of the Water Code, requires interest payments to the SMIF from the Wildfire Fund shall be made from the Fund. These interest payments do not represent revenues or expenses of the Fund, and accordingly, they are not reflected on the Statement of Net Position or Statement of Revenues, Expenses, and Changes in Net Position of the Fund.

For the fiscal year ended June 30, 2020, interest payments received and disbursed to the SMIF by the Fund totaled \$29,536 thousands which represented three quarters of interest payments. The fourth quarter interest payment of \$11,686 thousands was received and disbursed by the Fund to the SMIF in July 2020.

**Department of Water Resources DWR Charge Fund**  
**Notes to Financial Statements**  
**June 30, 2020**

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**5. Cash**

As of June 30, 2020, the Fund had \$7,704 deposited with the State Treasury in a non-interest bearing pooled account.

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State of California has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral held in the State's name.

**6. Commitments and Contingencies**

**Litigation and Regulatory Proceedings**

Plaintiffs Alex Cannara and Gene A. Nelson in their First Amended Complaint filed December 6, 2019, (they originally filed a Complaint on July 19, 2019 one week after AB 1054 was enacted) seek to invalidate and block implementation of AB 1054, including the California Public Utilities Commission's decision to impose a Non-Bypassable Charge on ratepayers pursuant to statutory provisions of law, chaptered under AB 1054. Plaintiffs brought this action in the United States District Court, Northern District of California. The named defendants include Karla Nemeth, California Department of Water Resources Director, in her official capacity.

Following oral argument and supplemental briefing, on June 17, 2020, United States District Judge James Donato dismissed the case with prejudice for lack of jurisdiction under the Johnson Act and stated that Plaintiffs' constitutional claims are not dismissed on the merits and may be pursued as warranted in the California state courts. The Court found that the Johnson Act bars jurisdiction over this rate setting dispute and so did not reach the Eleventh Amendment or other grounds tender for dismissal. The Plaintiffs have not pursued their claims in state court, and the time frame for doing so has lapsed.

On June 18, 2020, Plaintiffs filed a notice of appeal to the Ninth Circuit.

**Other Contingencies**

The Fund is self-insured for most risks, including general liability and workers' compensation. Management believes the Fund's exposure to loss is immaterial and that any costs associated with such potential losses are recoverable from customers as part of the Fund's revenue requirement. No settlements have exceeded insurance coverage in the past year.

**7. Subsequent Event**

The Plaintiffs/Appellants in the Cannara litigation described in Note 6 above, filed an opening brief on September 9, 2020 and the Defendants/Appellees' filed an answering brief on November 25, 2020. The Plaintiffs/Appellants filed a reply brief on January 29, 2021. Oral argument is anticipated in April 2021 and the parties are currently awaiting a decision of the Ninth Circuit.

The PSRBs were fully defeased on September 24, 2020.

On December 18, 2020, the Fund repaid the interfund loan from the General Fund.

**Department of Water Resources DWR Charge Fund**  
**Notes to Financial Statements**  
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The Fund began receiving Non-Bypassable Charge remittances from IOU ratepayers on October 1, 2020.



**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***

To the Director of the State of California Department of Water Resources  
Department of Water Resources Charge Fund  
Sacramento, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Water Resources Charge Fund (Fund), an enterprise fund of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 28, 2021. Our report contained an emphasis of matter paragraph regarding that the financial statements present only the Fund and do not purport to and do not present fairly the financial position of the State of California as of June 30, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund's financial statements are free of 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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California

April 28, 2021