

**REDBUD HEALTH CARE DISTRICT
(A Legal Public Entity Separate from the
County of Lake, California)**

**FINANCIAL STATEMENTS
With Independent Auditor's Report Thereon**

JUNE 30, 2023

12/19/2023 DRAFT 12/19/2023

**REDBUD HEALTH CARE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023**

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1-3
 Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
 Fund Financial Statements:	
Balance Sheet.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position.....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities	9
Notes to the Basic Financial Statements.....	10-18
 Required Supplementary Information (Unaudited)	
Budgetary Comparison Schedule	19
 Other Reporting Required by <i>Government Auditing Standards</i>:	
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 <i>Government Auditing Standards</i>	20-21

12/19/2023 DRAFT 12/19/2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redbud Health Care District
Clearlake, California

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Redbud Health Care District, a political subdivision of the State of California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Redbud Health Care 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 governmental activities, business-type activities, and major funds of Redbud Health Care District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Redbud Health Care 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.

To the Board of Directors
Redbud Health Care District
Clearlake, California

Responsibilities of Management for the Financial Statements – continued

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 Redbud Health Care 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 and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 Redbud Health Care 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 Redbud Health Care District's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

To the Board of Directors
Redbud Health Care District
Clearlake, California

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

Management has omitted Management’s 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 December 15, 2023, on our consideration of the Redbud Health Care District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Redbud Health Care 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 Redbud Health Care District’s internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants

Sacramento, California
December 15, 2023

**REDBUD HEALTH CARE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,546,626
Interest and property taxes receivable	121,985

Total Current Assets	4,668,611
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NON-CURRENT ASSETS

Capital assets, net (Note 3)	4,846
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Total Assets	\$ 4,673,457
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accrued expenses	20,620
Grants payable	65,194

Total Current Liabilities	85,814
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NET POSITION

Invested in capital assets	4,846
Unrestricted	4,582,797

Total Net Position	\$ 4,587,643
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The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2023**

Functions/Programs	Expenses	Operating Contributions	Net (Expense), Revenue, and Change in Net Position
Governmental Activities:			
Grants	\$ 575,966	\$ -	\$ (575,966)
Salary	72,999	-	(72,999)
Rent expense	25,747	-	(25,747)
Insurance	7,939	-	(7,939)
Professional fees	38,259	-	(38,259)
Taxes	5,715	-	(5,715)
Dues and subscriptions	7,284	-	(7,284)
Office expense	5,113	-	(5,113)
Miscellaneous	7,344	-	(7,344)
Utilities and telephone	3,150	-	(3,150)
Depreciation	1,106	-	(1,106)
Total	\$ 750,622	\$ -	\$ (750,622)
General Revenues:			
			1,172,583
Tax revenue			46,490
Interest income			25,747
Rental provision			-
Other income			-
Total general revenues			1,244,820
Change in net position			494,198
Net position at beginning of year			4,093,445
Net position at end of year			\$ 4,587,643

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

**REDBUD HEALTH CARE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023**

	<u>General Fund</u>
Assets	
Cash and investments	\$ 4,546,626
Interest and property taxes receivable	121,985
	<u>4,668,611</u>
Total current assets	4,668,611
Total assets	\$ 4,668,611
Liabilities and fund balance	
Accrued expenses	\$ 20,620
Grants payable	65,194
	<u>85,814</u>
Total liabilities	85,814
Fund balance	
Unassigned	4,582,797
	<u>4,582,797</u>
Total fund balance	4,582,797
Total liabilities and fund balance and fund balance	\$ 4,668,611

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

**REDBUD HEALTH CARE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances - general fund balance sheet \$ 4,582,797

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost, net 4,846

Net position of governmental activities-statement of net position \$ 4,587,643

12/19/2023 DRAFT 12/19/2023

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

**REDBUD HEALTH CARE DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED
JUNE 30, 2023**

OPERATING REVENUES

Property taxes	\$ 1,172,583
Interest income	46,490
Rental provision (Note 4)	25,747
Other income	-
	<hr/>
Total Operating Revenues	1,244,820

OPERATING EXPENSES

Grants	575,966
Salary	72,999
Rent expense	25,747
Insurance	7,939
Professional fees	38,259
Taxes	5,715
Dues and subscriptions	7,284
Office expense	5,113
Miscellaneous	7,344
Utilities and telephone	3,150
Capital outlay	1,248
	<hr/>
Total Operating Expenses	750,764
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Increase in Net Position	494,056
Net Position-Beginning of Year	4,088,741
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Net Position-End of Year	\$ 4,582,797
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The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2023**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in General Fund Balances	\$494,056
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	1,248
Depreciation expense	<u>(1,106)</u>
Change in Net Position of Governmental Activities-statement of activities	<u>\$494,198</u>

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

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Nature of Operations - Redbud Health Care District (the District), a political subdivision of the State of California, serves the residents of southern Lake County, California. The District's primary function is to collect tax revenue and provide grants to promote health care and similar community programs within the District.

Basis of Accounting and Measurement Focus - The District's financial activity is accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, established financial reporting requirements for all state and local governments. The District has adopted the financial reporting provisions of GASB No. 34, but has elected to not present Management's Discussion and Analysis (MD&A) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Government-Wide Financial Statements/(Statement of Net Position and Statement of Activities) - Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resource's measurement focus. All economic resources and obligations of the reporting entity are reported in the financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activity. Direct expenses are those that are specifically associated with the District. Program revenues include taxes levied by Lake County that are restricted to meeting the operational requirements of the District. Revenues that are not classified as program revenues, such as investment earnings, refunds, and reimbursements, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements/General Fund - The fund financial statements consist of the balance sheet and the statement of revenues, expenditures, and changes in fund balance of the District's general fund. These statements are presented on a current-financial resources measurement focus. The fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. The statement of revenues, expenditures, and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current resources. All operations of the District are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues susceptible to accrual include grants and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences which are recorded only when payment is due.

The General Fund is the District's primary operating fund and its only major fund. The General Fund accounts for all financial resources of the District.

Net Position - The government-wide financial statements utilize a net position presentation. The District's net position is classified as follows:

Unrestricted: This category represents the net position of the District, not restricted for any project or other purpose.

Fund Balance Classification - In accordance with generally accepted accounting principles, the District implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are Non-spendable, Restricted, Committed, Assigned, and Unassigned.

Non-spendable: portion of net resources that cannot be spent because they are not in an expendable form (e.g., prepaid expenditure or inventory), or portion of net resources that cannot be spent because they must be maintained intact (e.g., revolving fund or the principal of an endowment).

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Balance Classification – continued

Restricted: amounts or limitations constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments – e.g., tax collections from the County under specific agreements for services such as matching funds for specific initiatives).

Committed: limitation imposed at the highest level of decision-making that require the same formal action to remove or modify. The highest level of decision-making authority is the appointed Districts and the agenda item is the formal action used to commit fund balance, which would include a vote to commit the funds for a specified purpose.

Assigned: amounts or limitations are constrained by the District’s intent to be used for a specific purpose. The District’s Board is responsible for assigning fund balance through a formal action by an agenda item, however, the Board has the authority to remove the assignment.

Unassigned: resources in the fund balance that cannot be reported in any other classification or negative fund balance.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

The District has evaluated the composition of its fund balance and has reported in the following categories:

- Restricted:
The restricted fund balance is \$0.
- Assigned Awards to Grantees:
The Board of Directors has set aside certain spendable fund balances for programs that have been approved and awarded funding.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents - Cash and cash equivalents include demand deposits in a commercial checking account and deposits in the Local Agency Investment Fund (LAIF), which is a State of California, Treasurer's Office investment pool. For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District records its deposits at fair value. The demand deposits held in a commercial checking account may at times be in excess of the Federal Deposit Insurance Corporation insurance limit.

Capital Assets - Capital assets are assets purchased or acquired with an original cost of \$1,000 or more and are reported as historic or estimated historic cost or, in the case of contributed assets, at fair market value as of the date received. Additions, improvements, and other capital outlays of \$1,000 or more that significantly extend the useful life of an asset are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized, but are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows: computer equipment, 3 to 5 years; furniture and office equipment, 7 to 10 years.

Net Position - Net position is classified into three components. These components consist of:

- **Invested in Capital Assets, Net of Related Debt** – This category groups all capital assets 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 external restrictions imposed by creditors, contributors, 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.

The District had only unrestricted net position at June 30, 2023.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Operating Revenues and Expenses - The Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from property taxes and interest income. Operating expenses are all expenses incurred to provide services.

Property Tax - Property taxes are levied by Lake County on the District's behalf and are utilized to support operations. The amount of property tax received is dependent upon the assessed real property valuations, as determined by the Lake County Assessor. Property taxes are due in two equal installments on November 1 and March 1 each year and are delinquent if not paid by December 10 and April 10, respectively. The District received 93% of its financial support from property taxes.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

The California Government Code authorizes investments in obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, and the State of California, Local Agency Investment Fund (LAIF), which is a pooled investment fund held at the State of California, Treasurer's Office.

California Government Code, Section 53635, places the following concentration limits on the State investment pool, which is unrated:

No more than 40% may be invested in eligible commercial paper, no more than 10% may be invested in the outstanding commercial paper of any single issuer, and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

**REDBUD HEALTH CARE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 JUNE 30, 2023**

NOTE 2: CASH AND CASH EQUIVALENTS – continued

Cash, deposits, and investments at carrying value, which approximates fair value, consisted of the following at June 30, 2023:

Investments in State Treasurer’s Investment Pool (LAIF)	\$	3,286,812
Deposits held in financial institutions		1,259,714
Petty cash		100
Total cash and cash equivalents	\$	4,546,626

A. Custodial Credit Risk

At June 30, 2023, the carrying amount of the deposits held at banks was \$1,262,788. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used, or 150% if mortgages are used as the collateral.

B. Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code, Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker’s Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 2: CASH AND CASH EQUIVALENTS – continued

C. Investments

The District has adopted provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB No. 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market of investments, is recognized as revenue in the operating statement.

C. Investments – continued

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 3: PROPERTY AND EQUIPMENT

Office equipment	\$	8,494
Major moveable equipment		1,659
Total property and equipment		10,153
Less: Accumulated depreciation		(5,307)
Property and equipment, net	\$	4,846

Depreciation expense incurred during the year ended June 30, 2023, was \$1,106.

NOTE 4: RENTAL PROVISION

The District sold the hospital and all related assets and liabilities owned by the District to Adventist Health System in July 1997. As a part of that purchase agreement, Adventist Health System agreed to provide adequate office space to the District as long as the District continues to exist. Although originally intended to be within the hospital, the agreement contains a provision that the space may be provided outside of the hospital. During the year ended June 30, 2023, Adventist Health System paid in full all of the District's office lease. This payment is recognized as income to the District, along with an equal amount recognized for rental expenses. During the year ended June 30, 2023, this rental provision was valued at \$25,747.

NOTE 5: NOTE RECEIVABLE

The District loaned St. Helena Hospital in Clearlake \$1,000,000 in March 2010. The loan is for a period of ten years. Interest will be paid at 4% and compounded annually from the loan date until the outstanding principal is paid. Interest will be paid monthly on the first business day of each month. Under the terms of the loan, the District has the right to call the full loan balance at any time while the loan balance is outstanding. In March 2021, the loan was extended through March 2023. The District elected to call the loan in June 2022. The loan was fully repaid in July 2022.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023**

NOTE 6: COMMITMENTS

Joint Powers Agreements

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental, risk sharing, joint powers authority. The SDRMA arranges for and provides members with pooled general liability, automobile, and other self-insurance coverage. Condensed financial information of the SDRMA for the year ended June 30, 2023, is as follows:

Total assets	\$ 148,239,191
Total liabilities	76,717,988
Net Position	<u>\$ 71,521,203</u>
Total operating revenues	\$ 98,018,472
Total operating expenses	(96,560,830)
Total non-operating income	2,720,432
Change in Net Position	<u>\$ 4,178,074</u>

NOTE 7: CONTINGENCIES

Redbud Health Care District is authorized under the Local Health Care District Law to support qualified community health care programs. The District provides support through grant funding. The Grantee must sign a grant agreement and use the grant funds for the purposes outlined in the grant agreement.

If the Grantee does not expend the grant funds in accordance with the terms and conditions outlined in the grant agreement, the Grantee is required to reimburse the District, which would result in a contingent liability for the Grantee. The District takes into consideration the reputation of the Grantee as well as the reputation of the Grantee's Board Members in the RFA (Request For Assistance) evaluation process.

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

Redbud Health Care District has reviewed the results of operations for the period of time from its year end June 30, 2023, through December 15, 2023, the date which the financial statements were available to be issued.

**REDBUD HEALTH CARE DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED
JUNE 30, 2023**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<u>OPERATING REVENUES</u>				
Property taxes	\$ 1,052,847	\$ 1,052,847	\$ 1,172,583	\$ 119,736
Interest income	58,638	58,638	46,490	(12,148)
Rental provision (Note 4)	-	-	25,747	25,747
	<u>1,111,485</u>	<u>1,111,485</u>	<u>1,244,820</u>	<u>133,335</u>
<u>OPERATING EXPENSES</u>				
Grants	925,791	925,791	575,966	(349,825)
Salary	73,680	73,680	72,999	(681)
Rent expense	-	-	25,747	25,747
Insurance	8,998	8,998	7,939	(1,059)
Professional fees	60,200	60,200	38,259	(21,941)
Taxes	7,000	7,000	5,715	(1,285)
Dues and subscriptions	8,193	8,193	7,284	(909)
Office expense	2,657	2,657	5,113	2,456
Miscellaneous	5,404	5,404	7,344	1,940
Utilities and telephone	3,812	3,812	3,150	(662)
Travel	750	750	-	(750)
Capital outlay	15,000	15,000	1,248	(13,752)
	<u>\$ 1,111,485</u>	<u>\$ 1,111,485</u>	<u>750,764</u>	<u>\$ (360,721)</u>
Excess of revenues over (under) expenditures	-	-	<u>494,056</u>	
Fund balances - July 1, 2022			<u>4,088,741</u>	
Fund balances - June 30, 2023			<u>\$ 4,582,797</u>	

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

**OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

12/19/2023 DRAFT 12/19/2023

**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
Redbud Health Care District
Clearlake, California

We have audited the financial statements of Redbud Health Care District (the District), a political subdivision of the State of California, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 15, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Redbud Health Care District
Clearlake, California

Internal Control Over Financial Reporting – continued

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.

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 and regulations, 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*.

This report is intended solely for the information and use of the Board of Directors, management and the State Controller’s Office, and it is not intended to be and should not be used by anyone other than these specified parties.

Fechter & Company
Certified Public Accountants

Sacramento, California
December 15, 2023