

**REDBUD HEALTH CARE DISTRICT**  
**FINANCIAL STATEMENTS**  
**With Independent Auditor's Report Thereon**  
**JUNE 30, 2021**

**REDBUD HEALTH CARE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of net position and statements of revenues, expenses, and changes in net position, and cash flows of Redbud Health Care District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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 opinions 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; 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*. 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 opinions.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, 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**

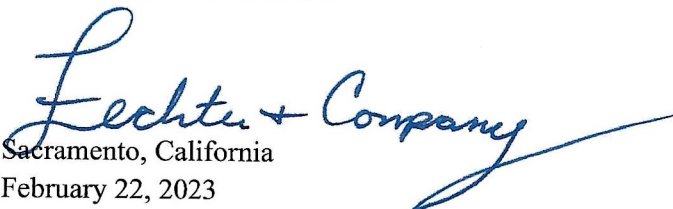
*Supplementary Information*

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 February 22, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal controls over financial reporting and compliance.

Fechter & Company  
Certified Public Accountants

  
Sacramento, California  
February 22, 2023



**REDBUD HEALTH CARE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,601,378
Interest and property taxes receivable	<u>82,774</u>

Total Current Assets	2,684,152
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**NON-CURRENT ASSETS**

Property and equipment, net (Note 3)	-
Note Receivable (Note 4)	<u>1,000,000</u>

Total Assets	<u><u>\$ 3,684,152</u></u>
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accrued expenses	\$ 2,649
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NET POSITION-Unrestricted	<u>3,681,503</u>
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Total Liabilities and Net Position	<u><u>\$ 3,684,152</u></u>
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**REDBUD HEALTH CARE DISTRICT  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**OPERATING REVENUES**

Property taxes	\$ 1,056,315
Interest income	42,978
Grant funds returned	11,768
Other income	<u>326</u>
 Total Operating Revenues	 <u>1,111,387</u>

**OPERATING EXPENSES**

Grants	436,870
Salary	50,344
Taxes	4,273
Directors' fees	1,490
Insurance	16,252
Office expense	797
Professional fees	9,166
Utilities and telephone	4,348
Dues and subscriptions	3,378
Travel	120
Miscellaneous	<u>2,370</u>
 Total Operating Expenses	 <u>529,408</u>
 Increase in Net Position	 581,979
 Net Position-Beginning of Year	 <u>3,099,524</u>
 Net Position-End of Year	 <u><u>\$ 3,681,503</u></u>

**REDBUD HEALTH CARE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from property taxes and interest	\$ 1,095,540
Interest income	42,978
Grant funds returned	11,768
Other income	326
Grants paid	(436,870)
Payments to suppliers and contractors	(36,431)
Payments to directors	(1,490)
Payments to employees	<u>(54,617)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>621,204</u>
Net Increase in Cash and Cash Equivalents	621,204
Cash and Cash Equivalents-Beginning of Year	<u>1,980,174</u>
Cash and Cash Equivalents-End of Year	<u><u>\$ 2,601,378</u></u>

**RECONCILIATION OF INCREASE IN NET POSITION TO  
CASH PROVIDED BY OPERATING ACTIVITIES**

Increase in Net Position	\$ 581,979
Adjustments to reconcile net position to net cash provided by operating activities:	
Decrease in interest and property taxes receivable	31,054
Decrease in grant refunds receivable	5,842
Increase in accrued expenses	<u>2,329</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 621,204</u></u>

**REDBUD HEALTH CARE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**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.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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.

**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.

**REDBUD HEALTH CARE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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, 2021.

**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 95% of its financial support from property taxes.



**REDBUD HEALTH CARE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED  
 JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

Cash, deposits, and investments at carrying value, which approximates fair value, consisted of the following at June 30, 2021:

Investments in State Treasurer's Investment Pool (LAIF)	\$ 1,081,932
Deposits held in financial institutions	1,514,503
Payroll clearing	4,848
Petty cash	95
Total cash and cash equivalents	<u>\$ 2,601,378</u>

**REDBUD HEALTH CARE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**NOTE 2: CASH AND CASH EQUIVALENTS – continued**

A. Custodial Credit Risk

At June 30, 2021, the carrying amount of the deposits held at banks was \$1,515,426. 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

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.

**REDBUD HEALTH CARE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**NOTE 2: CASH AND CASH EQUIVALENTS – 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. As of the year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

**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.

**NOTE 3: PROPERTY AND EQUIPMENT**

Office equipment	\$ 1,818
Major movable equipment	1,659
Total property and equipment	3,477
Less: Accumulated depreciation	(3,477)
Property and equipment, net	\$ -



**REDBUD HEALTH CARE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**NOTE 4: 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 2020, the loan was extended through March 2023. The terms of the loan did not change.

**NOTE 5: GRANT FUND RETURNED**

During the normal course of business, the District routinely reviews its Grantees and requires reports which include and are not limited to, proper use of funds as outlined in the Request For Assistance (RFA), specific outcomes, effectiveness of grants, and how the use of funds/programs improve the health status of the District's population.

Due to the COVID-19 Pandemic, one agency was unable to completely fulfill their plans/obligations as outlined in their RFA's and Grant Agreements. More specifically, State and Local Government restrictions were put into place which limited or eliminated personal contact causing the programs to be modified and or cancelled. Therefore, the grantee refunded the unused funds to the District.

**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, 2021, is as follows:

Total assets	\$ 117,948,397
Total liabilities	(61,583,834)
<b>Net Position</b>	<u>\$ 56,364,563</u>
Total operating revenues	\$ 70,748,416
Total operating expenses	(74,079,006)
Total non-operating income	5,110,420
<b>Change in Net Position</b>	<u>\$ 1,779,830</u>

**REDBUD HEALTH CARE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**NOTE 6: COMMITMENTS – continued**

**Grant Commitments**

The District’s Board of Directors approved grants to be paid in subsequent years as follows:

2022	\$ 25,000
2023	-
2024	-
2025	-
2026	-
Thereafter	-
	-
Total	\$ 25,000

**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 8: 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, 2021, through February 22, 2023, the date which the financial statements were available to be issued.

In September 2021, the District was notified by the County of Lake Office (the County) of the Auditor-Controller/County Clerk that the distribution to all taxing jurisdictions for fiscal year 19/20 and fiscal year 20/21 were overstated. This resulted in overpayments to the District in the amount of \$23,126. The County determined it will process the fiscal year 19/20 overpayment in December 2021 and the fiscal year 20/21 overpayment with the April 2022 allocation.

In July 2022, St. Helena Hospital paid the \$1,000,000 note receivable in full.



**OTHER REPORTING REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***

**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 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, 2021, and have issued our report thereon dated February 22, 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.

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

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  
February 22, 2023