



BROWN ARMSTRONG

Certified Public Accountants

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

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To the Board of Directors
Southwest Health Care District
Frazier Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southwest Health Care District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 29, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
April 29, 2021

SOUTHWEST HEALTH CARE DISTRICT

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

**SOUTHWEST HEALTH CARE DISTRICT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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**SOUTHWEST HEALTH CARE DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| GOVERNMENTAL ACTIVITIES | | |
| Administration Expenses | | |
| Professional Fees | \$ 3,575 | \$ 3,575 |
| Board Fees | 5,719 | 3,375 |
| Election Costs | - | 75 |
| Tax Collection Fees and Processing Costs | 1,451 | 286 |
| Office Expense | 1,175 | 1,430 |
| Storage | 780 | 715 |
| | <u>12,700</u> | <u>9,456</u> |
| Total Administration Expenses | | |
| Program Expenses | | |
| Meals on Wheels | - | 10,500 |
| School Nurse | 12,000 | - |
| Health Fair | 386 | 14,901 |
| Southern Kern Search & Rescue | - | 14,918 |
| Family Resource Center | 65,000 | 32,306 |
| | <u>77,386</u> | <u>72,625</u> |
| Total Program Expenses | | |
| Total Governmental Activities | <u>90,086</u> | <u>82,081</u> |
| GENERAL REVENUES | | |
| Property Taxes | 119,140 | 114,459 |
| Interest Income | 4,481 | 2,237 |
| | <u>123,621</u> | <u>116,696</u> |
| Total General Revenues | | |
| CHANGES IN NET POSITION | <u>33,535</u> | <u>34,615</u> |
| NET POSITION, BEGINNING | <u>326,611</u> | <u>291,996</u> |
| NET POSITION, ENDING | <u>\$ 360,146</u> | <u>\$ 326,611</u> |

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

**SOUTHWEST HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

The Southwest Health Care District (the District) was established as the Southwest Hospital District, pursuant to an election held November 11, 1985, in accordance with the Laws of the State of California. At the board meeting of November 13, 2000, the Board of Directors (the Board) changed the District's name to the Southwest Health Care District. The District was formed for the purpose of providing health care services to the residents of the District.

The financial statements of the District have been prepared to conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to State and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the District are as described below.

The Reporting Entity

The District is a special district under the laws of the State of California governed by its own Board of Directors. As such, it represents an independent reporting entity not directly affiliated with other governmental units.

Basis of Presentation

Government-Wide and Fund Financial Statements – The combined government-wide financial statements and fund financial statements report information of the District on the accrual basis of accounting and the economic resources measurement focus.

The operations of the District are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District has only one fund, the general fund.

Basis of Accounting – The basis of accounting refers to when revenues are recognized in the accounts and reported in the basic financial statements. Governmental fund types are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. In general, the District considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the District considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred.

Assets, Liabilities, and Equity

The statement of net position and statement of activities represent operations on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Property Taxes

The County of Kern (the County) is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10, and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. At year-end, taxes receivable are recorded for the amount reported by the County as collected but not yet apportioned.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 their reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Current GASB Statements

During the year ended June 30, 2020, the District implemented the following standard:

GASB Statement No. 95 – *Postponement of Effective Dates of Certain Authoritative Guidance* – The requirements of this statement are effective immediately. There was no impact on the financial statements due to the implementation of this statement.

Future GASB Statements

Recently released standards by GASB affecting future years are as follows:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The District has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations* – The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District has not fully judged the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

GASB Statement No. 92 – *Omnibus 2020* – The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the effect of the implementation of GASB Statement No. 92 as of the date of the basic financial statements.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates* – The requirements of this statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the effect of the implementation of GASB Statement No. 93 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future GASB Statements (Continued)

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The District has not fully judged the effect of the implementation of GASB Statement No. 94 as of the date of the basic financial statements.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* – The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The District has not fully judged the effect of the implementation of GASB Statement No. 96 as of the date of the basic financial statements.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The requirements of this statement are effective for the reporting periods beginning after June 15, 2021. The District has not fully judged the effect of the implementation of GASB Statement No. 97 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held by the District at June 30, 2020 and 2019, consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|------------------|-------------------|-------------------|
| Demand Deposits | \$ 90,576 | \$ 93,584 |
| County Treasurer | <u>269,606</u> | <u>247,437</u> |
| Total | <u>\$ 360,182</u> | <u>\$ 341,021</u> |

Investments Authorized by the District's Investment Policy

The District's investment policy requires compliance with current State law and current legislation.

Disclosures Relating to 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. The District's investments in the County Treasury have a maturity of three months or less and are, therefore, classified as cash equivalents.

Disclosures Relating to 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 County does not have a rating provided by a nationally recognized statistical rating organization, and it is exempt from disclosure due to credit risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. District policy does not require diversification of the investment portfolio in such a manner not to obligate the District toward dependence in one investment instrument.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investments in State/County Investment Pools

The District maintains cash in the County Treasury which pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly and any investment losses are proportionately shared by all entities in the pool.

NOTE 3 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 29, 2021, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

OTHER REPORT