

SOUTHWEST HEALTH CARE DISTRICT

Basic Financial Statements

For The Year Ended June 30, 2021

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SOUTHWEST HEALTH CARE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Southwest 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 Southwest Health Care 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of Southwest Health Care 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.

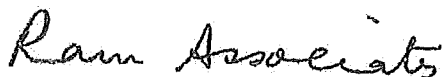
Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis 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 September 1, 2022, 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, 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 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 the District's internal control over financial reporting and compliance.



Ram Associates

Hamilton, New Jersey

September 1, 2022

SOUTHWEST HEALTH CARE DISTRICT
Statement Of Net Position
As of June 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 401,828
TOTAL ASSETS	<u>\$ 401,828</u>
 LIABILITIES	
Accounts payable	\$ 5,000
TOTAL LIABILITIES	<u>5,000</u>
 NET POSITION	
Unrestricted	396,828
TOTAL NET POSITION	<u><u>\$ 401,828</u></u>

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

SOUTHWEST HEALTH CARE DISTRICT
Statement of Activities
For The Year Ended June 30, 2021

GOVERNMENTAL ACTIVITIES	
Administration Expenses	
Property tax admin charges	\$ 1,421
Professional Fees	9,075
Advertising & Publishing	60
Board Fees	5,119
Office Expense	61
Bank service charges	36
Computer related expenses	1,545
Postal cost	114
One day event	591
Storage	150
Total Administration Expenses	18,172
Program Expenses	
School Nurse	15,800
Health Fair	10,375
Southern Kern Search & Rescue	16,964
Family Resource Center	37,000
Total Program Expenses	80,139
Total Governmental Activities	98,311
GENERAL REVENUES	
Property Taxes	131,665
Interest income	3,328
Total General Revenue	134,993
CHANGES IN NET POSITION	36,682
NET POSITION, BEGINNING	360,146
NET POSITION, ENDING	\$ 396,828

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

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

1. Nature of Operations

The Southwest Health Care District (the District) was incorporated under the laws of the State of California on November 11, 1985, with corporate office located in Frazier Park, California. The District was established as Southwest Hospital District, pursuant to an election held on 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 through other not-for profit Organizations. The Board of Directors consists of five members and are, in general, elected in the Kern County elections for a term of four years.

Liquidity

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last. To date, the District has not experienced any major consequences which will materially impact the financial conditions of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recognized when incurred.

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. Expenditures are recorded when the related fund liability is incurred.

Assets and Liabilities

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.

Net position

The District reports net position categories in accordance with GASB Standards: Net investment in capital assets, restricted net position and unrestricted net position. Net investments in capital assets consists of capital assets net of accumulated depreciation. The district does not have any investment in capital assets as of June 30, 2021.

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

Restricted net position consists of assets that have constraints placed on them, externally by creditors, grantors, contributors, regulations or imposed by law through constitutional provisions or enabling legislation, reduced by liabilities payable from their assets. The District has no restricted net position for the year ended June 30, 2021. Unrestricted net position consists of remaining assets that do not meet the definition of net investment in capital assets or restricted net position.

Statement of Activities

The statement of activities presents information to explain the change in net position that occurred during the year. All changes are reported when the event causing the change occurs, regardless of when any related cash is given or received. Government-wide financial statements distinguish between governmental and business-type activities based on the nature of their funding. Governmental activities are those funded principally by taxes and intergovernmental revenues. The district does not have any business-type activities. All the direct and indirect expenses in the Statement of Activities are related to performance of the Governmental activities of the district.

Deposit with Financial Institutions and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. The District considers cash, deposits with financial institutions and short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy as established by U.S. GAAP. The hierarchy is based on inputs used in valuation and gives highest priority to unadjusted quoted prices in active markets and requires that observable input be used in valuation when available. The disclosures of fair value estimates in the hierarchy is based on whether the significant inputs that go into the valuation are observable. In determining the level of hierarchy, Level 1 is given to Quoted market price in active markets for identical assets or liabilities, Level 2 is given for value based on the other observable market-based inputs or unobservable inputs that are corroborated by market data and Level 3 is given to value based on unobservable inputs that cannot be corroborated by market data that reflects the reporting entity's own assumptions.

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

The only source of revenue

State of California pays 1% of the property tax collected from the "Kern County" to the District.

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.

New Accounting Pronouncements

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

GASB Statement No. 87 – The standard is effective for the District as of July 1, 2021, and the district is evaluating the effect of implementation of this accounting standard.

GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period. The standard is effective for the District as of July 1, 2021 and the district is evaluating the impact of adopting this accounting standard.

GASB Statement No. 91 – Conduit Debt Obligations – The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District is evaluating the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

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

GASB Statement No. 92 – Omnibus 2020 – The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District is evaluating 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 is evaluating the effect of the implementation of GASB Statement No. 93 as of the date of the basic financial statements.

GASB Statement No. 94 - Public-Private and Public-Public Partnership and Availability Payment Arrangements - The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The District is evaluating 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 is evaluating 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 is evaluating the effect of the implementation of GASB Statement No. 97 as of the date of the basic financial statements.

2. CASH AND INVESTMENTS

Cash and investments held by the District at June 30, 2021, consisted of the following:

California Trust Bank-operating fund	\$ 83,685
Kern County Fund	318,143
Total	<u>\$ 401,828</u>

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

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 fulfil 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.

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

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

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.

3. LITIGATION AND CONTINGENCIES

Currently, the District is not involved in any legal action or arbitration that it expects to have a material adverse effect on the business, financial condition, results of operations or liquidity of the District. All legal cost is expensed as incurred.

4. COMMITMENTS AND CONTINGENCIES

The District has no leased office premises, and it operates from the directors' houses in "Kern County", California State.

5. SUBSEQUENT EVENTS

For the Year ended June 30, 2021, the District has evaluated subsequent events through September 1, 2022, the date, which the financial statements were available to be issued. No other reportable subsequent events have occurred through the issue date September 1, 2022, which would have significant effect on the financial statements as of June 30, 2021, except as otherwise disclosed.



**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
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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 1, 2022.

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 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 function, 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.

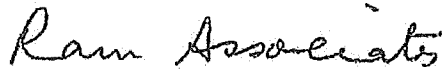
Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Ram Associates
Hamilton, New Jersey
September 1, 2022