

Audited Financial Statements
KINGSBURG TRI-COUNTY
HEALTH CARE DISTRICT
June 30, 2023 and 2022

Audited Financial Statements

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2023

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Management's Discussion and Analysis

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2023

The management of the Kingsburg Tri-County Health Care District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2023 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2023 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Highlights

For the year of operations ending June 30, 2023, the District received \$1,096,675 in property taxes from the three counties of Fresno, Kings and Tulare and \$130,754 in rental income from tenants leasing the District properties. The prior year taxes were \$1,024,025 and the prior year rental income was \$128,192.

Total District expenses for 2023 and 2022 were \$1,300,777 and \$1,070,851, respectively. The decrease in net position for the year was \$(27,318) versus a net increase of \$92,582 for the prior year. During the 2023 and 2022 fiscal years, the District incurred \$1,079,431 and \$864,031, respectively, in donation expenditures for local community healthcare purposes. Other similar donation programs continue to be discussed.

The District will continue to operate as a health care district which will allow for the continued collection of property taxes and certain rental income from which the District will pay certain operating expenses. Excess earnings will be used to support and promote other healthcare activities for the residents in the Kingsburg area.

Statements of Net Position

As of June 30, 2023, the District's current assets are comprised of \$2,318,214 in operating cash and \$120,275 in receivables and prepaid expenses. Other assets include \$3,422,106 of property and equipment, net of accumulated depreciation of \$(3,265,097). Liabilities of the District include \$5,863 of current accounts payable and \$2,170 of accrued payroll payable.

As of June 30, 2022, the District's current assets are comprised of \$2,339,937 in operating cash and \$104,862 in receivables and prepaid expenses. Other assets include \$3,422,106 of property and equipment, net of accumulated depreciation of \$(3,245,856). Liabilities of the District include \$4,237 of current accounts payable and \$2,029 of accrued payroll payable.

Management's Discussion and Analysis (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

Economic Factors

The District's board is continuing the process of developing projected expenses for the fiscal year ending June 30, 2024. For fiscal year 2024, the District is projected to increase net position by a margin similar to the 2023 results. The increase is due to several assumptions:

1. A conservative increase in property taxes for fiscal year 2024.
2. Another full year of rental income from rent of the hospital facilities.
3. Operating expenses are expected to increase at a continued rate similar to prior year increases.

It is the goal of the District to continue to operate at efficient levels of income and expenses in order to maximize the further funding of health care activities within the Kingsburg area.

JWT & Associates, LLP

A Limited Liability Certified Public Accountancy Partnership

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Report of Independent Auditors

The Board of Directors
Kingsburg Tri-County Health Care District
Kingsburg, California

Opinion

We have audited the accompanying financial statements of the Kingsburg Tri-County Health Care District (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the 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 financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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.

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 the 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 opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, 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.

JW7 & Associates, LLP

Fresno, California
January 31, 2024

Statements of Net Position

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	June 30	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,318,214	\$ 2,339,937
Accounts receivable	93,409	78,434
Prepaid expenses	<u>26,866</u>	<u>26,428</u>
Total current assets	2,438,489	2,444,799
Property and equipment, less accumulated depreciation	<u>157,009</u>	<u>176,250</u>
Total assets	<u>\$ 2,595,498</u>	<u>\$ 2,621,049</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued payroll	\$ <u>8,033</u>	\$ <u>6,266</u>
Total current liabilities	8,033	6,266
Net position:		
Invested in capital assets	157,009	176,250
Unrestricted	<u>2,430,456</u>	<u>2,438,533</u>
Total net position	<u>2,587,465</u>	<u>2,614,783</u>
Total liabilities and net position	<u>\$ 2,595,498</u>	<u>\$ 2,621,049</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Operating revenues		
Rent revenue	\$ 130,754	\$ 128,192
Interest income	46,030	6,833
Other operating revenue	<u>4,383</u>	<u>4,383</u>
Total operating revenues	176,784	139,408
Operating expenses		
Grant program donations	1,079,431	864,031
Salaries, wages and employee benefits	71,789	64,804
Professional fees	54,366	55,702
Supplies	5,513	3,497
Purchased services	19,415	17,358
Rent	11,898	9,581
Utilities	4,069	3,351
Insurance	33,939	31,370
Depreciation and amortization	19,241	19,969
Other operating expenses	<u>1,116</u>	<u>1,188</u>
Total operating expenses	<u>1,300,777</u>	<u>1,070,851</u>
Operating loss	(1,123,993)	(931,443)
Nonoperating revenues		
District tax revenues	<u>1,096,675</u>	<u>1,024,025</u>
Total nonoperating revenues	<u>1,096,675</u>	<u>1,024,025</u>
Increase (decrease) in net position	(27,318)	92,582
Net position at beginning of the year	<u>2,614,783</u>	<u>2,522,201</u>
Net position at end of the year	<u>\$ 2,587,465</u>	<u>\$ 2,614,783</u>

See accompanying notes and auditor's report

Statements of Cash Flows

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from operating revenues	\$ 166,951	\$ 137,537
Cash payments to employees and benefit programs	(71,648)	(64,318)
Cash payments to programs, suppliers and contractors	<u>(1,208,559)</u>	<u>(992,417)</u>
Net cash (used in) operating activities	(1,113,256)	(919,198)
Cash flows from noncapital financing activities:		
District tax revenues	<u>1,096,675</u>	<u>1,011,115</u>
Net cash provided by noncapital financing activities	1,096,675	1,011,115
Cash flows from capital and related financing activities:		
Purchases of property and equipment		
Other non operating adjustments	<u>(5,142)</u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u>(5,142)</u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	(21,723)	91,917
Cash and cash equivalents at beginning of year	<u>2,339,937</u>	<u>2,248,020</u>
Cash and cash equivalents at end of year	<u>\$ 2,318,214</u>	<u>\$ 2,339,937</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (1,123,993)	\$ (931,443)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation and amortization	19,241	19,969
Changes in operating assets and liabilities:		
Accounts receivable	(9,833)	(1,871)
Prepaid expenses	(438)	(8,343)
Accounts payable and accrued payroll	<u>1,767</u>	<u>2,490</u>
Net cash (used in) operating activities	<u>\$ (1,113,256)</u>	<u>\$ (919,198)</u>

See accompanying notes and auditor's report

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2023

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kingsburg Tri-County Health Care District, (the District) is a public entity organized under Local Healthcare District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the District boundaries to specified terms of office. The District is located in Kingsburg, California and leases the District's health care facilities to certain health care providers who provide specific patient services to residents of the area and others outside the area.

Basis of Preparation: The accounting policies and financial statements of the District conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing or central to the District's mission are reported as operational revenues and expenses.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of property; errors and omissions; natural disasters; and other risk areas. Commercial insurance coverage is purchased for claims arising from such matters.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Net Position: Net position is presented in three categories. The first category is net position that is "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on funding by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

The third category is “unrestricted” net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

District Tax Revenues: The District receives approximately 90% of its financial support from property taxes. These funds are used to support operations of the District and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to day-to-day operations of healthcare services. The District boundaries are within the Fresno, Kings and Tulare Counties of California. Property taxes are levied by these three Counties on the District’s behalf during the year, and are intended to help finance the District’s healthcare activities during the same year. Amounts are levied on the basis of the most current property values on record with the three Counties. The three Counties have established certain dates to levy, lien, mail bills, and receive payments from property owners during the year.

Revenue Recognition: Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the asset is to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived asset is placed in service. Cash received in excess of revenue recognized is unearned revenue.

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Donor restricted contributions whose restriction expire during the same fiscal year are recognized as net assets without donor restrictions. Absent donor imposed restrictions, the District records donated services, materials, and facilities as net assets without donor restrictions.

From time to time, the District receives grants from governmental agencies and private organizations. Revenues from grants are recognized when eligibility requirements, including time requirements are met. Grants may be restricted for specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2023 and 2022, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$2,318,214, and \$2,339,937. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of funds deposited in the LAIF funds which invests in several market pools as allowed according to public restrictions on investments. The LAIF is not a registered investment company with the U. S. Securities and Exchange Commission. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

NOTE C - OTHER RECEIVABLES

Other receivables as of June 30, 2023 and 2022 were comprised of the following:

	<u>2023</u>	<u>2022</u>
Property taxes receivable from the three Counties	\$ 80,116	\$ 74,973
Other miscellaneous receivables	<u>13,293</u>	<u>3,461</u>
	<u>\$ 93,409</u>	<u>\$ 78,434</u>

NOTE D - CAPITAL ASSETS

The District began to depreciate the capital assets again effective July 1, 2015. The District's property had been held for sale in prior years. This property consisted of land, buildings and equipment which had been used in hospital operations. Since closure of hospital operations in the Spring of 2010, the District had been seeking potential buyers to purchase the property, however no agreements could ever be reached. As a result, the District began leasing the property to certain health care providers in an effort to continue to provide healthcare services to the community at large. Capital assets as of June 30, 2023 and 2022 were comprised of the following:

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE D - CAPITAL ASSETS (continued)

	<u>Balance at June 30, 2022</u>	<u>Adjustments & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2023</u>
Land and land improvements	\$ 49,951			\$ 49,951
Buildings and improvements	1,519,558			1,519,558
Equipment	<u>1,852,597</u>			<u>1,852,597</u>
Totals at historical cost	3,422,106			3,422,106
Less accumulated depreciation	<u>(3,245,856)</u>	\$ (19,241)		<u>(3,265,097)</u>
Capital assets, net	<u>\$ 176,250</u>	<u>\$ (19,241)</u>	<u>\$</u>	<u>\$ 157,009</u>
	<u>Balance at June 30, 2021</u>	<u>Adjustments & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2022</u>
Land and land improvements	\$ 49,951			\$ 49,951
Buildings and improvements	1,519,558			1,519,558
Equipment	<u>1,852,597</u>			<u>1,852,597</u>
Totals at historical cost	3,422,106			3,422,106
Less accumulated depreciation	<u>(3,225,887)</u>	\$ (19,969)		<u>(3,245,856)</u>
Capital assets, net	<u>\$ 196,219</u>	<u>\$ (19,969)</u>	<u>\$</u>	<u>\$ 176,250</u>

NOTE E - FAIR VALUE OF CASH EQUIVALENTS

The District's investments in certain cash equivalents were as follows at June 30, 2023 and 2022:

<i>As of June 30, 2023</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 1,693,146	\$ 1,693,146		
Total investments	<u>\$ 1,693,146</u>	<u>\$ 1,693,146</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE E - FAIR VALUE OF CASH EQUIVALENTS (continued)

<i>As of June 30, 2022</i>	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Cash equivalents in savings	\$ 1,848,456	\$ 1,848,456		
Total investments	\$ 1,848,456	\$ 1,848,456	\$ -0-	\$ -0-

The District’s investments are reported at fair value. The District’s investment policy allows for various forms of investments generally set to mature within a few months. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Local Agency Investment Fund: The State makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Investments are highly liquid and can be converted to cash within 24 hours. Participation in LAIF is voluntary and is limited to \$40 million for each entity. The fair value of the District’s investment in LAIF is reported based on the District’s pro rata share of the fair value provided by LAIF for the entire portfolio.

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. One of the ways a hospital manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District’s investments by maturity.

Credit Risk: Credit risk is the risk that the 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, such as Moody’s Investor Service, Inc. Generally a hospital’s investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of \$500 million and having a “A” or higher rating by agencies such as Moody’s or Standard and Poor’s.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a hospital would not be able to recover the value of its investment or collateral securities that are in the possession of another party. A hospital’s investments are generally held by broker-dealers or in the case of many healthcare district’s, in government-pooled short-term cash equivalents such as mutual funds.

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE E - FAIR VALUE OF CASH EQUIVALENTS (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a hospital's investment in a single issuer. A hospital's investment policy generally allows for different concentrations in selected investment portfolios such as government-backed securities, which are deemed to be lower risk.

Investment Hierarchy - The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The Hospital investments are solely measured by Level 1 inputs and does not have any investments that are measured using Level 2 or 3 inputs.

NOTE F - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2023, the District had no recorded construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. There are no commitments to complete any facility project as of June 30, 2023.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2023, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2023 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

NOTE G - SUBSEQUENT EVENTS

The District's management has evaluated the effect of significant subsequent events on the financial statements through January 31, 2024, the date the financial statements are issued, and determined that there are no other material subsequent events that have not been disclosed.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

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Independent Auditors 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

The Board of Directors
Kingsburg Tri-County Health Care District
Kingsburg, 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 business-type activities of the Kingsburg Tri-County Health Care District (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 31, 2024.

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 opinion 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 those 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 statement. 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 communication is not suitable for any other purpose.

JW7 & Associates, LLP

Fresno, California

January 31, 2024