

**TEHACHAPI VALLEY HEALTHCARE DISTRICT
BOARD OF DIRECTORS MEETING**

Date: November 15, 2022
Place: Tehachapi Valley Healthcare District Office
116 W E Street
Tehachapi, CA 93561
Time: 10:00 AM
Teleconference available ~ 351-888-6527

AGENDA

I. CALL TO ORDER

II. FLAG SALUTE

III. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

This time is reserved for persons to address the Board of Directors on matters not on the agenda over which the District has jurisdiction. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation. Any person desiring to speak on an item on the agenda will be given an opportunity to do so prior to the Board of Directors acting on the item.

IV. CONSENT AGENDA

The following items are considered routine and non-controversial by District Staff and may be approved by one motion. If a member of the Board or audience wishes to comment or ask questions on an item, it will be moved to New Business or Reports.

A. Approval of Minutes

- | | |
|---|-------|
| 1. Board Meeting, 9/19/22 | Tab 1 |
| 2. Receive and File, Community Outreach Committee 9/13/22 | Tab 2 |
| 3. Receive and File, Community Outreach Committee, 10/11/22 | Tab 3 |
| 4. Receive and File, Finance Committee, 9/14/22 | Tab 4 |
| 5. Receive and File, Finance Committee, 10/12/22 | Tab 5 |
| 6. Receive and File, Strategic Planning Committee, 9/15/22 | Tab 6 |
| 7. Receive and File, Strategic Planning Committee, 10/13/22 | Tab 7 |

V. OLD BUSINESS

- | | |
|--|-------|
| A. Community Center Project 115 W E Street | Tab 8 |
|--|-------|

VI. NEW BUSINESS

- | | |
|----------------------------|-------|
| A. FY22 Audited Financials | Tab 9 |
|----------------------------|-------|

VII. REPORTS

- A. Adventist Health Tehachapi Valley Update – Edward Martin
- B. CEO Report

Tab 10

VIII. BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

IX. CLOSED SESSION

- A. Closed session: Personnel Appointment

X. ADJOURNMENT

NOTICE TO THE PUBLIC

PUBLIC COMMENT PERIOD FOR REGULAR MEETINGS

Members of the public may comment on any item on the agenda before the Board takes action on it. The public may also comment on items of interest to the public that is within the subject matter jurisdiction of the Board; provided, however, the Board may not take action on any item not appearing on the agenda unless the action is otherwise authorized by law. Any person addressing the Board will be limited to a maximum of three (3) minutes so that all interested parties have an opportunity to speak.

COPIES OF PUBLIC RECORDS

All writings, materials, and information provided to the Board for their consideration relating to any open session agenda item of the meeting are available for public inspection and copying during regular business hours at the Administration Office of the District at 116 WE St., Tehachapi, California.

COMPLIANCE WITH ADA

This agenda shall be made available upon request in alternative formats to persons with a disability, as required by the Americans with Disabilities Act of 1990 (42 U.S.C. § 12132) and the Ralph M. Brown Act (Cal. Gov't Cod. § 54954.2). Persons requesting a disability related modification or accommodation in order to participate in the meeting, should contact the Executive Office during regular business hours by phone at 661-750-4848, or in person at the District's Administrative Office at 116 WE St., Tehachapi, California.

Tab 1

Board Meeting Minutes

9/19/22

TEHACHAPI VALLEY HEALTHCARE DISTRICT
BOARD OF DIRECTORS MEETING
MINUTES

116 W E Street
Tehachapi, CA 93561

September 19, 2022

Conference Call # 351-888-6527

10:00am

Board Present: Mike Nixon, Christine Sherrill, William Steele, Duane Moats

Board Absent: Carl Gehricke

Staff Present: Caroline Wasielewski, CEO; Lisa Hughes, Business Manager; Scott Nave, Legal Counsel

I. CALL TO ORDER

Chair Mike Nixon called the meeting to order at 10:00 am

II. FLAG SALUTE

III. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

IV. CONSENT AGENDA

A. Approval of Minutes

1. Special Board of Directors Meeting, 8/3/22
2. Special Board of Directors Meeting, 8/9/22
3. Board of Directors Meeting, 8/16/22
4. Receive and File, Finance Committee, 8/10/22
5. Receive and File, Strategic Planning Committee, 7/14/22

Consent Agenda Approval

MSA: STEELE/SHERRILL;4-0; 1 ABSENT; APPROVED

V. OLD BUSINESS

A. Community Garden at 115 W E Street Update

CEO Wasielewski and Business Manager Hughes met with representatives of The Village – Community Garden Project. They are interested in forming a partnership for creating a garden area on the district property on F Street, next to the Physical Therapy office building. The Village and the Tehachapi Humanitarian Group are both non-profit groups and are operating on donations and volunteers. CEO Wasielewski will work on forming a license agreement for

the use of the property.

B. Project at 115 E Street

Director Nixon addressed the board to update them on the progress of the Community Resource Center. The district has engaged an architect and an initial meeting will be scheduled in the next week. Director Nixon had also heard that the City of Tehachapi is looking for a permanent location to hold their bi-monthly City Council meetings. He encouraged the board that this building could be a frontrunner in providing a place for City Council. The first part of the process with the architect is to do space planning. Mr. Nixon mentioned that there will most likely be a special board meeting to introduce the Board to the 4-Creeks firm. The board suggested that Ms. Wasielewski and Ms. Hughes visit other large centers and buildings are found the community: Golden Hills Community Services District and various churches.

Scott Nave commented and described the process for the Board. 4-Creeks will come up a design plan but not exact stats. Then that will be used to formulate an RFP that will be sent out to other contractors that will complete the design build project. 4 - Creeks will assist TVHD throughout the entire process and function as a project manager.

VI. NEW BUSINESS

None

VII. REPORTS

A. Adventist Health Tehachapi Valley Update

Edward Martin, president of Operations of Adventist Tehachapi Medical Center, reported on the current state of the hospital. Measure X marketing material is being created and will be distributed to the community through mailers, social/broadcast media, and newspapers. Mr. Martin mentioned yard signs, and TVHD counsel agreed the signs could be placed in employees' personal yards, but not at workplace. He also reported that AH received a donation of 12 transport wheelchairs. They are special chairs, and the hospital was in great need. In Physical Therapy news, PT Solutions has site approval to move to a 3700 sq. ft. pad at The Village Collective on S. Green St. and is waiting on a rate review. Once negotiated, the build out at the new site will begin.

B. CEO Report

CEO Wasielewski went over the CEO Report in the Board packet beginning with the financial portion. For the month of August, total cash in was \$3029.00 and total expenses came in at \$29,647.70. Looking at the 12-month numbers, expenses and wages are right on budget. The Administrative review included district activities, listed in the Board packet, since the last board meeting in August. There were no questions from the Board.

Board of Director Travel

None

VIII. BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Director Nixon commented on the coming phases of community resource center project and is looking forward to getting the design phase started right away/. Also the community will begin to show more interest the close we get to construction.

IX. ADJOURNMENT

Meeting adjourned at 10:30 AM

Respectfully,

Christine Sherrill
Secretary

Tab 2

Community Outreach Minutes

9/13/22

Tehachapi Valley Healthcare District
Community Outreach Committee Meeting
Minutes
September 13, 2022
116 W E Street, Tehachapi, CA
12:00 PM

I. CALL TO ORDER

Director Steele called to order the regular meeting of the Community Outreach Committee at 12PM on July 12, 2022, in the TVHD Office.

II. ROLL CALL

Directors William Steele, Christine Sherrill; Lisa Hughes, Business Manager and Caroline Wasielewski, CEO; Amanda Danlovich from Adventist Health.

III. APPROVAL OF MINUTES

The July 12, 2022, meeting minutes from were approved, unanimously, by the committee.

IV. REPORTS

A. Adventist Health

Amanda Danlovich reported that the Farmers Market was a success for Adventist Health. Ms. Danlovich reported that Adventist had sponsoring the Cal City Community Garden by installing a shade structure.

B. Outreach Updates

CEO Wasielewski reported to the committee on all the various events. In the weeks since the last meeting, the healthcare district participated in the Houchin Blood Donation event, a meeting with the #LoveTehachapi group, and a community planning meeting at the Salvation Army. The healthcare district will participate in a coat drive and will fill some stockings that will be distributed to children at the Santa Breakfast in December.

V. OLD BUSINESS

A. Community Health Needs Assessment – update

There were no new surveys completed.

B. Community Garden

CEO Wasielewski and Business Manager Hughes met with Madeline Ruebush from the Tehachapi Community Garden Project and Justina Engen from The Village Tehachapi and Tehachapi Humanitarian Relief Group. TVHD and the two groups would like to form an agreement to have a community garden be cultivated in the piece of land to the west of the Physical Therapy building on F Street. The Village and the Humanitarian Group are both non-profit organizations and are covered under their own insurance. CEO Wasielewski will begin drafting a license agreement for the organization and the healthcare district. The gardens would grow vegetables and fruit that would go to the the local food pantry. It would also be used as an educational opportunity for the community.

VI. NEW BUSINESS

A. Measure X

CEO Wasielewski spoke to the Rotary Club about Measure X and distributed the language to the committee.

B. Fallbrook Healthcare District - informational

Ms. Wasielewski distributed information on Fallbrook Healthcare District. They are in the process of refurbishing an old church to become a community wellness center. The concretion was made at the CSDA conference and there is much information to gather from Fallbrook's experience. The committee looked over examples of the center and Ms. Wasielewski explained some of Fallbrook's programs.

VII. BOARD COMMENTS NOT APPEARING ON THE AGENDA

None

VIII. ADJOURNMENT

Director Steele adjourned the meeting at 12:42 PM

Minutes approved by: _____

William Steele

DRAFT

Tab 3

Community Outreach Minutes

10/11/22

Tehachapi Valley Healthcare District
Community Outreach Committee Meeting
Minutes
October 11, 2022
116 W E Street, Tehachapi, CA
12:00 PM

I. CALL TO ORDER

Director Steele called to order the regular meeting of the Community Outreach Committee at 12PM on July 12, 2022, in the TVHD Office.

II. ROLL CALL

Directors William Steele, Christine Sherrill; Lisa Hughes, Business Manager and Caroline Wasielewski, CEO; Amanda Danlovich from Adventist Health. Two members of the public attended.

PUBLIC COMMENTS

Chris and Coral Holland were present at the meeting and introduced themselves to the committee. They moved here 10 months ago and are excited to learn more about the community, other collaborative alliances, and how they can contribute their time Mr. Holland has a Consulting Group and is currently working with St. Malachy's Church and the Bear Valley Police Department. The Committee welcomed them.

III. APPROVAL OF MINUTES

The September 13, 2022, meeting minutes from were approved, unanimously, by the committee.

IV. REPORTS

A. Adventist Health

Amanda Danlovich reported that she gave some Covid-19 home tests to the Salvation Army for distribution. She also reported that the Behavioral Health Initiative program is going strong.

B. Outreach Updates

CEO Wasielewski and Business Manager Lisa Hughes reported on the various outreach opportunities coming up. October 22nd will be the Coat Drive at Salvation Army. TVHD is a donation drop-off location and Lisa Hughes will be helping at the event. Also on that day is a community event fo helping and serving, coordinated by Tehachapi Vineyard Church. TVHD will be represented by Lisa Hughes. The next Houchin Blood Donation event is Wednesday, November 2nd. TVHD is a sponsor. Ms. Wasielewski and Ms. Hughes will be volunteering.

V. OLD BUSINESS

A. Community Garden

Ms. Hughes assisted in setting up a garden bed with the Tehachapi Humanitarian Group, as headed up by Madeline Ruebush. Ms. Hughes will be the Healthcare District's representation in the garden events and funding.

VI. NEW BUSINESS

A. Breakfast With Santa

CEO Wasielewski and Business Manager Hughes are going to stuff stockings for the Breakfast with Santa event on Saturday December 3. The Rotary Club is organizing and needed local groups to volunteer to fill homemade stocking with little goodies for kids. TVHD will be filling 100 stockings.

VII. BOARD COMMENTS NOT APPEARING ON THE AGENDA

None

VIII. ADJOURNMENT

Director Steele adjourned the meeting at 12:21 PM

Minutes approved by: _____

William Steele

Tab 4

Finance Minutes

9/14/22

TEHACHAPI VALLEY HEALTHCARE DISTRICT
FINANCE COMMITTEE MINUTES

September 14, 2022

116 W E Street

Tehachapi, CA 93561

12:30 PM

Board Members Present: Duane Moats, Carl Gehricke

Staff Present: Caroline Wasielewski, CEO; Lisa Hughes, Business Manager

Recorded and transcribed by: Caroline Wasielewski, CEO

Approval: _____ Date: _____

COMMITTEE ACTIONS AND DIRECTIONS SHOWN IN CAPS AND BOLD

- I. CALL TO ORDER
Director Moats called the Finance Committee Meeting to order at 12:30 PM
- II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA
None
- III. APPROVAL OF MINUTES
August 10, 2022, MINUTES Approved by Committee
- IV. REPORTS
 - A. Finance Reports August 2022
CEO Wasielewski reported on cash flow, checks written and expenses for the month of August. The check register was at \$19,155.80. August cash in was \$3029.00 with total expenses at \$29,647.70. Net income was (\$-26,618.70). Bank account balances were reviewed. Total cash is at approximately \$9,400,000.
 - B. American Express
CEO Wasielewski reviewed and had back up for all AMEX purchases for the month of August.

C. Petty Cash

Petty cash expenses were detailed and discussed.

V. OLD BUSINESS
None

VI. NEW BUSINESS
None

VII. BOARD COMMENTS ON BUSINESS NOT APPEARING ON THE AGENDA

VIII. ADJOURNMENT
Meeting was adjourned at 12:58 PM

DRAFT

Tab 5

Finance Minutes

10/12/22

TEHACHAPI VALLEY HEALTHCARE DISTRICT
FINANCE COMMITTEE MINUTES

October 12, 2022

116 W E Street

Tehachapi, CA 93561

12:30 PM

Board Members Present: Duane Moats, Carl Gehricke

Staff Present: Caroline Wasielewski, CEO; Lisa Hughes, Business Manager

Recorded and transcribed by: Caroline Wasielewski, CEO

Approval: _____ Date: _____

COMMITTEE ACTIONS AND DIRECTIONS SHOWN IN CAPS AND BOLD

I. CALL TO ORDER

Director Moats called the Finance Committee Meeting to order at 12:30 PM

II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

None

III. APPROVAL OF MINUTES

September 14, 2022, MINUTES Approved by Gehricke/Moats/ Committee

IV. REPORTS

A. Finance Reports September 2022

CEO Wasielewski reported on cash flow, checks written and expenses for the month of September. The check register was at \$39,036.29. Director Moats asked Ms. Hughes to include backup for the monthly check run. September cash in was \$2906.00 with total expenses at \$46,509.97 Net income was (\$-43,603.88). Bank account balances were reviewed. Total cash is at approximately \$9,400,000.

B. American Express

CEO Wasielewski reviewed and had back up for all AMEX purchases for the month of September, reviewed by Committee.

C. Petty Cash

Petty cash expenses for September were detailed and discussed.

V. OLD BUSINESS

None

VI. NEW BUSINESS

None

VII. BOARD COMMENTS ON BUSINESS NOT APPEARING ON THE AGENDA

VIII. ADJOURNMENT

Meeting was adjourned at 12:36 PM

DRAFT

Tab 6

Strategic Planning Minutes

9/15/22

TEHACHAPI VALLEY HEALTHCARE DISTRICT
STRATEGIC PLANNING
MINUTES
September 15, 2022
12:30 pm

Board Members Present: Christine Sherrill, Mike Nixon

Staff Present: Caroline Wasielewski, CEO

Guest Present: None

Transcribed by: Recorded and Transcribed by Caroline Wasielewski, CEO

Approval: _____ **Date:** _____
Mike Nixon, Chair

COMMITTEE ACTIONS AND DIRECTION SHOWN IN CAPS AND BOLD

I. CALL TO ORDER

II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA
None

III. APPROVAL OF MINUTES

A. June 14, 2022

APPROVED by committee; SHERRILL/WASIELEWSKI

IV. OLD BUSINESS

A. TVHD Emergency Plan – Phase 1

The Committee discussed what was included in the first phase of developing a healthcare district Emergency Plan. CEO Wasielewski discussed emergency plans for Stallion Springs and Bear Valley. She would like district representatives to attend their meetings so TVHD can get a feeling for where the district fits into the emergency plan picture. The committee would like to see emergency plans for Golden Hills, the school district, and police department. The healthcare district could easily become a central resource or networking center in the case of any Tehachapi emergency. Ms. Wasielewski will create a matrix showing emergency event levels, duration, and entities involved.

B. National Incident Management System (NIMS)

Most of the emergency plans for neighboring entities follow the NIMS. Director Nixon and CEO Wasielewski would like TVHD to follow suit. The committee reviewed the National Incident Management System handouts provided in the packet and developed

a process that when completed, will form the foundation for the TVHD Emergency Plan: create a checklist and action plan following the NIMS outline, attend meetings of other groups, make a call/contact list of all points of contact for emergency response teams, create and sign mutual aid agreements with other groups, participate and use available NIMS classes and resources, and look for opportunities for grant monies.

V. **NEW BUSINESS**

A. Architect

The contract has been signed between 4 Creeks and TVHD. CEO Wasielewski will set up an initial meeting with them and once expectations and timelines are set, a special board meeting should be planned for all the board to meet and share ideas and expectations.

VI. **REPORTS**

None

VII. **BOARD COMMENTS ON BUSINESS NOT APPEARING ON THE AGENDA**

None

VIII. **Adjournment**

The meeting adjourned at 1:24 pm

Tab 7

Strategic Planning Minutes

10/13/22

TEHACHAPI VALLEY HEALTHCARE DISTRICT
STRATEGIC PLANNING
MINUTES
October 13, 2022
12:30 pm

Board Members Present: Christine Sherrill, Mike Nixon

Staff Present: Caroline Wasielewski, CEO

Guest Present: None

Transcribed by: Recorded and Transcribed by Caroline Wasielewski, CEO

Approval: _____ **Date:** _____
Mike Nixon, Chair

COMMITTEE ACTIONS AND DIRECTION SHOWN IN CAPS AND BOLD

I. CALL TO ORDER

II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA
None

III. APPROVAL OF MINUTES

- A. September 15, 2022
APPROVED by committee; SHERRILL/WASIELEWSKI

IV. NEW BUSINESS

- A. Community Center Preliminary Plan Review – 4 Creeks – Will Ruoff
4-Creeks sent drawings for the Community Center. There are examples of offices, classrooms, and a large auditorium. The Committee should review and at the next meeting, Mr. Ruoff will be available for questions. Then the Committee will decide how many offices, meeting rooms, classrooms to include in the center. Also, will determine what size large room to include. Ms. Wasielewski has sent the drawings to Melissa Stockton, CEO of Mountain Pathways. Waiting on a response for what the vision is for their footprint. Director Nixon requested Ms. Wasielewski to get the plans copies for each member of the Board.

V. OLD BUSINESS

A. TVHD Emergency Plan – Phase 1

CEO Wasielewski presented the committee with a list of community groups and their contacts that would be advantageous to form mutual aid agreements with. The Committee determined that TVHD's part in an Emergency Preparedness plan would be that of central communication, coordinating center and using the new Community Center Facility. After reviewing the list, the committee advised that letters of introduction and intention to form agreements should be sent to each group. Ms. Wasielewski will attempt to attend any public meetings that take place. Director Nixon asked that the suggestion be made that this new consortium of preparedness groups run a tabletop drill, in about six months, that would be an example of what happens in a localized emergency or disaster. Ms. Wasielewski will delve deeper into the Action Plan and Checklist for the next meeting.

VI. REPORTS

None

VII. BOARD COMMENTS ON BUSINESS NOT APPEARING ON THE AGENDA

None

VIII. Adjournment

The meeting adjourned at 1:21 pm

Tab 8

Community Center Project

Diagrams presented at meeting

Tab 9

FY22 Audited Financials

Audited Financial Statements
TEHACHAPI VALLEY
HEALTHCARE DISTRICT
June 30, 2022

Audited Financial Statements

TEHACHAPI VALLEY HEALTHCARE DISTRICT

June 30, 2022

Management’s Discussion and Analysis	1
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Management's Discussion and Analysis

TEHACHAPI VALLEY HEALTHCARE DISTRICT

June 30, 2022

The management of the Tehachapi Valley Healthcare 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, 2022 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, 2022 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Highlights

- Total assets and deferred outflows increased by \$2,538,700 from the prior fiscal year.
- Total cash and cash equivalents and short-term investments decreased by \$963,925 over the prior year.
- The District refinanced the 2013 series general obligation bonds with a new series 2021 general obligation bonds in the amount of \$53,985,0000 and in the process paid of the 2013 series which had a carrying value of \$48,530,000 at the time the bonds were defeased.
- Current assets increased by \$1,562,826 as current liabilities increased by \$428,774 from the prior fiscal year resulting in a current ratio of 3.58 as of June 30, 2022.
- Unearned revenues decreased by \$1,200,000 over the prior year.
- The current year increase in net position was \$1,817,240 as compared to the prior year of \$515,671 in 2021.

Adventist Health Agreements

In November, 2016, the District entered into three separate agreements with Adventist Health (AH) due to the need for an external funding source required to supplement the construction of the new hospital within the boundaries of the District: (1) the Master Lease agreement became effective November 1, 2016 whereby AH leased the District-owned hospital facilities. Monthly rental income amounts \$75,000 a month; (2) the Affiliation Agreement allowed District assets and liabilities to be acquired and assumed by AH effective November 1, 2016. As of June 30, 2022 and 2021, the net payable to AH by the District as a result of this agreement is \$-0- and \$-0-, respectively; (3) The Construction Funding Agreement allowed the District to receive rent advances pursuant to the Master Lease Agreement up to \$27,000,000 in order to complete construction of the new hospital. These borrowings from AH are being repaid over time by rent payments due to the District. As of June 30, 2022 and 2021, unearned revenue related to this agreement amounted to \$23,778,398 and \$25,578,398, respectively.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

1111 East Herndon Avenue, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

Report of Independent Auditors

The Board of Directors
Tehachapi Valley Healthcare District
Tehachapi, California

Opinion

We have audited the accompanying financial statements of the Tehachapi Valley Healthcare District (the District), as of June 30, 2022 and 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.

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, 2022 and 2021, 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. 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 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, 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 for a reasonable period of time.

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 (GASB) 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, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provided 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 October 17, 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.

JW7 & Associates, LLP

Fresno, California
October 17, 2022

Statements of Net Position

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	June 30	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash, cash equivalents	\$ 4,095,852	\$ 5,059,777
Short-term investments	5,398,768	3,389,798
Assets limited as to use, available for current obligations	2,412,346	1,890,003
Patient accounts receivable, net of allowances	20,290	16,073
Other receivables	9,326	17,615
Prepaid expenses and deposits	<u>1,939</u>	<u>2,429</u>
Total current assets	11,938,521	10,375,695
Assets limited as to use, less available for current obligations	1,303,008	1,112,361
Capital assets, net of accumulated depreciation	<u>100,402,731</u>	<u>102,979,555</u>
Total assets	113,644,260	114,467,611
Deferred outflows of resources	<u>3,495,814</u>	<u>133,763</u>
Total assets and deferred outflows of resources	<u>\$117,140,074</u>	<u>\$114,601,374</u>
Liabilities and net position		
Current liabilities:		
Current principal maturities of debt borrowings	\$ 2,080,000	\$ 1,455,000
Accounts payable and accrued expenses	340,578	1,057,731
Unearned revenue - current portion	900,000	1,200,000
Accrued payroll and related liabilities	<u>14,562</u>	<u>51,183</u>
Total current liabilities	3,335,140	3,763,914
Unearned revenue, less current portion	22,878,398	23,778,398
Debt borrowings, net of current principal maturities	<u>61,711,363</u>	<u>59,661,129</u>
Total liabilities	87,924,901	87,203,441
Net position (deficit):		
Invested in capital assets, net of related debt	39,427,753	46,004,577
Restricted	3,715,343	3,002,264
Unrestricted (deficit)	<u>(13,927,923)</u>	<u>(21,608,908)</u>
Total net position	<u>29,215,173</u>	<u>27,397,933</u>
Total liabilities and net position	<u>\$117,140,074</u>	<u>\$114,601,374</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
Operating revenues		
Net service revenue	\$ 1,465,579	\$ 1,229,911
Facility rent	930,000	925,000
Other operating revenue	<u>366,393</u>	<u>52,754</u>
Total operating revenues	2,761,972	2,207,665
Operating expenses		
Salaries, wages and benefits	205,536	232,483
Professional fees	140,920	121,311
Supplies	5,278	4,008
Purchased services	31,392	45,023
Repairs and maintenance	35,240	34,271
Utilities	11,929	30,714
Building and equipment rent	15,925	30,479
Insurance	62,361	51,499
Depreciation and amortization	3,246,446	3,163,344
Other operating expenses	<u>25,250</u>	<u>34,797</u>
Total operating expenses	<u>3,780,277</u>	<u>3,747,929</u>
Operating income (loss)	(1,018,305)	(1,540,264)
Nonoperating revenues (expenses)		
District tax revenues for operations	1,092,820	958,868
District tax revenues for debt service	4,255,860	3,953,893
Investment income	16,725	19,803
Interest expense	<u>(2,529,860)</u>	<u>(2,876,629)</u>
Total nonoperating revenues (expenses)	<u>2,835,545</u>	<u>2,055,935</u>
Increase (decrease) in net position	1,817,240	515,671
Net position at beginning of the year	<u>27,397,933</u>	<u>26,882,262</u>
Net position at end of the year	<u>\$ 29,215,173</u>	<u>\$ 27,397,933</u>

See accompanying notes and auditor's report

Statements of Cash Flows

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	\$ 1,461,362	\$ 1,838,178
Cash changes from operations, other than patient services	1,304,682	539,200
Cash payments suppliers and contractors	(1,044,958)	(352,531)
Cash payments to employees and benefit programs	<u>(242,157)</u>	<u>(216,961)</u>
Net cash provided by operating activities	1,478,929	1,807,886
Cash flows from noncapital financing activities:		
District tax revenues	<u>1,092,820</u>	<u>958,868</u>
Net cash provided by noncapital financing activities	1,092,820	958,868
Cash flows from capital and related financing activities:		
Purchase of capital assets and other	(5,356,439)	(216,916)
District taxes revenues for debt service	4,255,860	3,953,893
Proceeds from debt borrowings	53,985,000	
Principal payments on debt borrowings	(49,985,000)	(1,176,366)
Interest payments, net of capitalization	<u>(2,529,860)</u>	<u>(2,876,629)</u>
Net cash provided by (used in) capital financing activities	369,561	(316,018)
Cash flows from investing activities:		
Net change in unearned revenue	(1,200,000)	(600,000)
Net change in assets limited as to use	(712,990)	(65,708)
Net change in short-term investments	(2,008,970)	171,308
Interest received and other	<u>16,725</u>	<u>19,803</u>
Net cash (used in) investing activities	<u>(3,905,235)</u>	<u>(474,597)</u>
Net increase (decrease) in cash and cash equivalents	(963,925)	1,976,139
Cash and cash equivalents at beginning of year	<u>5,059,777</u>	<u>3,083,638</u>
Cash and cash equivalents at end of year	<u>\$ 4,095,852</u>	<u>\$ 5,059,777</u>

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2022</u>	<u>2021</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (1,018,305)	\$ (1,540,264)
Adjustments to reconcile the operating loss to net cash provided by or used in operating activities:		
Depreciation and amortization	3,246,446	3,163,344
Changes in operating assets and liabilities:		
Patient accounts receivables	(4,217)	22,021
Other receivables	8,289	47,423
Prepaid expenses and deposits	490	(429)
Accounts payable and accrued expenses	(717,153)	586,246
Accrued payroll and related liabilities	(36,621)	15,522
Estimated third party payor settlements and other		<u>(485,977)</u>
Net cash provided by operating activities	<u>\$ 1,478,929</u>	<u>\$ 1,807,886</u>

See accompanying notes and auditor's report

TEHACHAPI VALLEY HEALTHCARE DISTRICT

June 30, 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Tehachapi Valley Healthcare District, (the District) is a public entity organized under Local Hospital 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 to specified terms of office. The District, located in Tehachapi, California, owns an acute care and long-term care facility under the “critical access hospital” designation. The District also owns several rural health clinics in Tehachapi, California City and Mojave, California. These facilities are leased to Adventist Health who operates the District facilities in order to provide health care services primarily to individuals who reside in the local geographic area.

Basis of Preparation: The accounting policies and financial statements of the District generally 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, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management’s Discussion and Analysis: Effective July 1, 2002, the District adopted the provisions of GASB 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. One of the main components of these new provisions allows the inclusion of a management’s discussion and analysis to accompany the financial statement presentation.

The management’s discussion and analysis is a narrative introduction and analytical overview of the District’s financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management’s discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: Net position is presented in three categories. The first category is net position “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 those net position 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.

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

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.

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.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost at the date of acquisition, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2022 and 2021, the District has determined that there are no capital assets that are significantly impaired.

Costs incurred in obtaining computer software for internal use, which includes costs of configuration, installation and testing, are capitalized by the District. Costs incurred during the post-implementation stages of internal use software are expensed as incurred. The capitalization and ongoing assessment of recoverability of computer software costs require considerable judgement with respect to external factors, including, but not limited to, technological and economic feasibility and estimated economic useful life.

Deferred Outflows of Resources: The statements of net position sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (decrease or consumption of net position) that apply to future periods and therefore will not be recognized as an expense until that time. At June 30, 2022 and 2021, the District reported deferred outflows of resources resulting from the difference between the reacquisition price and the refunding bond proceeds. These charges will be expensed as amortization expense in future years over the shorter period of the remaining maturity of the original bonds or the new bonds according to GASB 20. For the year ended June 30, 2022 and 2021, the District recognized \$134,192 and \$48,480 of amortization expense.

Concentrations of credit risk: Financial instruments which potentially subject the District to concentrations of credit risk consist primarily of investments and accounts receivable. The investment portfolios are managed by outside investment firms and Kern County within guidelines which, as a matter of policies, limit the amounts which may be invested in any one issuer. Concentration of credit risk with respect to accounts receivable, other than from government programs, is limited due to the large number of third-party and self-pay payors comprising the District's patient base.

Compensated Absences: The District's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO if they leave either upon termination or retirement. Accrued PTO liabilities as of June 30, 2022 and 2021 were \$11,063 and \$41,555, respectively and are included in accrued payroll and related liabilities as presented on the statements of net position.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the District provides traditional indemnity programs.

Net Patient Service Revenues: Net patient service revenues are reported at the estimated net realized amounts from patients, third-party payors and others, including estimated retroactive adjustments under reimbursement agreements with third-party programs, during the period in which the healthcare services were provided. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, per diem amounts and other. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient revenues and then written off entirely as an adjustment to net patient service revenues.

District Tax Revenues: The District receives financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date. Property taxes are considered delinquent on the day following each payment date. Those dates are: (1) lien date of January 1; (2) due dates of November 1 and February 1; and (3) delinquent dates of December 10 and April 10.

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Revenue Recognition: As previously stated, net patient service revenues are reported at amounts that reflect the consideration to which the District expects to be entitled in exchange for patient services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits, reviews, and investigations. Although the District is no longer managing the hospital operations, it is still collecting residual patient revenue. This revenue was generated when the District was operating the hospital and generally, the District would bill the patients and third-party payors several days after the patient received healthcare services at the hospital. Revenue was then recognized as services were rendered.

The District had agreements with third-party payors that provided for payments to the District at amounts different from its established rates. Payment arrangements included prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments were accrued on an estimated basis in the period the related services were rendered and adjusted in future periods as final settlements were determined. To date, some of those final settlements are still in process of being determined.

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 deferred 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 various governmental agencies and private organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants may be restricted for either 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)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2022 and 2021, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$4,095,689 and \$5,059,676, respectively. 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 U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. 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 assets.

NOTE C - NET SERVICE REVENUES

The District no longer services patients but still collects residual balances from old patient accounts and is still entitled to certain State and Federal supplemental programs. There were no patient services rendered during 2022 and 2021, only collections from old accounts and revenues from the aforementioned supplemental programs:

	<u>2022</u>	<u>2021</u>
Inpatient services	-0-	-0-
Outpatient services and other	-0-	-0-
Rural health clinic services	<u>\$ -0-</u>	<u>\$ -0-</u>
Gross service revenues	-0-	-0-
Governmental supplemental subsidies and other collections	<u>1,465,579</u>	<u>1,229,911</u>
Net service revenues and collections	<u><u>\$ 1,465,579</u></u>	<u><u>\$ 1,229,911</u></u>

The District had agreements with third-party payors that provided or payments to the District at amounts different from its established rates. A summary of those payment arrangements with major third-party payors follows:

Medicare: As a designated critical access District, Medicare reimbursement is generally settled with the District on cost-based formulas. Interim payments for inpatient and outpatient care services rendered to Medicare program beneficiaries are based on estimated determined rates throughout the year. After year end and the submission of an annual cost report, program expenses are audited by the Medicare fiscal intermediary and settlements are reached to finalized the reimbursement of Medicare program expenses for the year. At June 30, 2022 and 2021, cost report settlements have all been repaid to Adventist Health.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Medi-Cal: Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California’s Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments and rural health care services continue to be paid on pre-determined charge screens and prospectively determined rates, respectively. The District is paid for cost-based inpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2022 and 2021, cost report settlements have all been repaid to Adventist Health.

Other: Payments for services rendered to other than Medicare and traditional Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

NOTE D - CONCENTRATION OF CREDIT RISK

Financial Instruments: Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. Although deposits exceed the limit in certain bank accounts, management believes that the risk of loss is minimal due to the high financial quality of the bank with which the District does business. Management further believes that there is no risk of material loss due to concentration of credit risk with regards to investments as the District has no investments in equity funds, closed-end funds, exchange-traded products, or other perceived “at risk” alternatives as of June 30, 2022 and 2021

Patient Accounts Receivable: The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Medicare		
Medi-Cal		
Other third party payors		
Self pay, refunds and other	\$ 50,290	\$ 64,073
Gross patient accounts receivable	50,290	64,073
Less allowances for contractual, bad debts and other	<u>(30,000)</u>	<u>(48,000)</u>
Net patient accounts receivable	<u>\$ 20,290</u>	<u>\$ 16,073</u>

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
Property tax receivables due from the County		\$ 15,341
Interest receivable	\$ 9,326	<u>2,274</u>
	<u>\$ 9,326</u>	<u>\$ 17,615</u>

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
Amounts held by county and others as trustees under bond agreements	\$ 3,715,354	\$ 3,002,364
	3,715,354	3,002,364
Less amounts available for current obligations	<u>(2,412,346)</u>	<u>(1,890,003)</u>
	<u>\$ 1,303,008</u>	<u>\$ 1,112,361</u>

Interest income, dividends, and other like-kind earnings are recorded as investment income in the statement of revenues, expenses and changes in net position. Unrealized gains and (losses) are also recorded as investment income. Assets limited as to use are funds restricted by either (1) the Board of Directors for specific operating or capital improvement purposes; (2) assets restricted by outside donors to the District; and/or (3) assets held in trust for specific purposes according to bond indenture agreements or other similar agreements.

NOTE G - EMPLOYEES' RETIREMENT PLANS

The District has a defined contribution plan (the Plan) in which substantially all District employees are eligible. The Plan is designed to qualify as a governmental plan as defined in Code Section 457(b) Deferred Compensation Plan and a 401(a) Pension Plan (Employer Matching).

For 2022 and 2021, participants are permitted to contribute up to a maximum of \$18,000 annually for participants 49 years of age and below, and up to \$24,000 annually for participants that are 50 years of age and older. The District may voluntarily match up to a maximum of 4% of the participant's annual contributions for each plan year. Participants are eligible for vesting beginning their third year of service. Beginning the 5th year of service, the participants are fully vested.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE H - CAPITAL ASSETS

Capital assets as of June 30, 2022 and 2021 were comprised of the following:

	<u>June 30, 2021</u>	<u>Transfers & Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Land and land improvements	\$ 2,436,800			\$ 2,436,800
Buildings and improvements	104,391,700			104,391,700
Equipment and software	11,935,747			11,935,747
Construction-in-progress	<u>215,224</u>	\$ 535,430	_____	<u>750,654</u>
Totals at historical cost	118,979,471	535,430	_____	119,514,901
Less accumulated depreciation for:				
Land and land improvements	(92,534)	(4,848)		(97,382)
Buildings and improvements	(7,811,281)	(2,579,365)		(10,390,646)
Equipment and software	<u>(8,096,101)</u>	<u>(528,041)</u>	_____	<u>(8,624,142)</u>
Total accumulated depreciation	<u>(15,999,916)</u>	<u>(3,112,254)</u>	_____	<u>(19,112,170)</u>
Capital assets, net	<u>\$102,979,555</u>	<u>\$ (2,576,824)</u>	<u>\$ _____</u>	<u>\$100,402,731</u>
	<u>June 30, 2020</u>	<u>Transfers & Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Land and land improvements	\$ 2,392,507	\$ 44,293		\$ 2,436,800
Buildings and improvements	104,391,700			104,391,700
Equipment and software	11,935,747			11,935,747
Construction-in-progress	<u>44,175</u>	<u>171,049</u>	_____	<u>215,224</u>
Totals at historical cost	118,764,129	215,342	_____	118,979,471
Less accumulated depreciation for:				
Land and land improvements	(87,686)	(4,848)		(92,534)
Buildings and improvements	(5,231,656)	(2,579,625)		(7,811,281)
Equipment and software	<u>(7,567,284)</u>	<u>(528,817)</u>	_____	<u>(8,096,101)</u>
Total accumulated depreciation	<u>(12,886,626)</u>	<u>(3,113,290)</u>	_____	<u>(15,999,916)</u>
Capital assets, net	<u>\$105,877,503</u>	<u>\$ (2,897,948)</u>	<u>\$ _____</u>	<u>\$102,979,555</u>

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE I - DEBT BORROWINGS

As of June 30, 2022 and 2021, debt borrowings were as follows:

	<u>2022</u>	<u>2021</u>
General Obligation Bonds, 2004 Election, 2004 Series A; interest at 2.0% to 5.0%, due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	\$ 374,988	\$ 374,988
General Obligation Bonds, 2004 Election, 2006 Series B; interest at 4.0% to 4.83%, due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	1,259,991	1,389,991
General Obligation Bonds, 2004 Election, 2009 Series C; interest at 6.0% to 11.9%, due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	1,230,000	1,450,000
General Obligation Refunding Bonds, 2004 Election, 2013 Series A; interest at 1.25.0% to 4.0%, due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	4,125,000	4,780,000
General Obligation Refunding Bonds, 2009 Election, Series 2021; interest at 2.50% to 3.25%, due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	53,985,000	
General Obligation Bonds, 2009 Election, Series 2013; interest at 1.5% to 5.0%, due semiannually; principal due in annual amounts; collateralized by District property tax revenues:		48,980,000
Unamortized bond premiums and accreted interest	<u>2,816,384</u>	<u>4,141,150</u>
	63,791,363	61,116,129
Less current principal maturities of debt borrowings	<u>(2,080,000)</u>	<u>(1,455,000)</u>
	<u>\$ 61,711,363</u>	<u>\$ 59,661,129</u>

Future principal maturities for debt borrowings for the next five succeeding years are: \$2,080,000 in 2023; \$2,110,000 in 2024; \$2,740,000 in 2025; \$2,990,000 in 2026; and \$2,850,000 in 2027.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE J - INVESTMENTS

The District’s investment balances and average maturities were as follows at June 30, 2022:

<i>As of June 30, 2022</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>
Funds held in County treasury	\$ 3,676,573	\$ 3,676,573		
Funds held by LAIF (State treasury)	5,398,768	5,398,768		
Money market and mutual funds	<u>1,172,498</u>	<u>1,172,498</u>		
Total investments	<u>\$ 10,247,839</u>	<u>\$ 10,247,839</u>		

The District’s investment balances and average maturities were as follows at June 30, 2021:

<i>As of June 30, 2021</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>
Funds held at County treasury	\$ 3,002,364	\$ 3,002,364		
Funds held by LAIF (State treasury)	3,389,798	3,389,798		
Money market and mutual funds	<u>1,437,370</u>	<u>1,437,370</u>		
Total investments	<u>\$ 7,829,532</u>	<u>\$ 7,829,532</u>		

The District’s investments are reported at fair value as previously discussed. The District’s investment policy allows for various forms of investments generally set to mature generally upon demand. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.

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 the a District can manage 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 District 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 District’s investment policy for corporate bonds and notes is to invest in companies having a “A” or higher rating by agencies such as Moody’s or Standard and Poor’s.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE J - INVESTMENTS (continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. A District's investments are generally held by broker-dealers or bank's trust departments used by a District to purchase securities.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment allows investments in the State of California's Local Agency Investment Fund, which has a diverse portfolio generally of money-market and mutual funds of government-backed securities and other instruments.

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 District investments are solely measured by Level 1 inputs and does not have any investments that are measured using Level 2 or 3 inputs.

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction in Progress: As of June 30, 2022 and 2021, the District had \$750,654 and \$215,224, respectively in construction in progress representing cost capitalized mainly for certain renovations of the old hospital. The District has not capitalized interest expense and other related financing costs as a component of construction in progress during the fiscal year ended June 30, 2022. Due to the fact that the former District hospital facilities (the old hospital) did not meet the California Seismic Safety Standards and because the community had outgrown the District's ability to serve their medical needs, the District constructed and completed a new hospital in Tehachapi, funded in part by (1) the issuance of general obligation bond offerings conducted by Kern County by means of a special election and by (2) advance rent payments as discussed in Note L. The new hospital was deemed to be completed on January 1, 2019.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2022 and 2021, was \$15,925 and \$30,479, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2022, 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, 2022 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows. Any litigation contingencies for the current fiscal year have been properly recorded.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

Risk Management: The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in Program Beta, to account for and finance certain uninsured risk of loss. Under this program, Program Beta provides basic professional liability coverage with limits to \$5,000,000 per claim. The District purchases commercial insurance for all other risks of loss.

Workers Compensation Program: The District is a participant in the Association of California District's Alpha Fund (the Fund) which administers a self-insured worker's compensation plan for participating District employees of its member Districts. The District pays premiums to the Fund which are adjusted annually. If participation in the Fund is terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund.

NOTE L - ADVENTIST HEALTH AGREEMENTS

The District has entered into three separate agreements with Adventist Health (AH) due to the need for an external funding source required to supplement the construction of the new hospital within the boundaries of the District.

Master Facilities Lease: Effective November 1, 2016, the District entered into an agreement with AH whereby AH leases the District-owned hospital facilities from which to operate an acute care hospital in Tehachapi. Monthly rental income to the District is \$75,000 and the lease agreement terminates October 31, 2046.

Affiliation Agreement: Certain District assets and liabilities have been acquired and assumed by AH through an affiliation agreement effective November 1, 2016. As of June 30, 2022 and 2021, the net payable to AH by the District as a result of this agreement is \$-0- and \$-0-, respectively.

Construction Funding Agreement: This agreement allows the District to receive rent advances pursuant to the Master Lease Agreement up to \$27,000,000 in order to complete construction of the new hospital. These borrowings from AH are being repaid over time by rent payments due to the District. As of June 30, 2022 and 2021, unearned revenue related to this agreement amounted to \$23,778,398 and \$24,678,398, respectively.

NOTE M - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through October 17, 2022, the date the financial statements are issued, and determined that there are no 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
Tehachapi Valley Healthcare District
Tehachapi, 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 Tehachapi Valley Healthcare District (the District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 17, 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 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
October 17, 2022

See accompanying notes and auditor's report

Tab 10

CEO Report

CEO Report

November 15, 2022

District Finance Update

For the Month of October, the total cash in was \$113,680. Total expenses were **\$\$24,124**, which saw the month come in at a \$89,556 net income.

Looking at the 12- month report: After four months elapsed:

- Total cash in is at \$127,379
- Wages are right on budget at \$36,120
- Total expenses of \$159,343

District Administration Update

- Successful passage of Measure X
- Cleaning up some trees on district property in preparation for winter and snowstorms.
- Continuing to clean out and prepare the area for community garden.
- Met with 4-Creeks about Community Resource Center
- Volunteered at Houchin Blood Donation event on November 2nd. It was successful with 59 units of blood were donated.
- Winter coats, gloves, beanies and were distributed to those in need, in partnership with Salvation Army.
- Ms. Hughes attended a community event day in conjunction with #LoveTehachapi.
- Next event will be Breakfast With Santa and the Downtown Christmas Event on Saturday, December 3rd .

CEO Wasielewski submitted her resignation, to take effect by the end of November 2022.

Oct-22

Kern County		\$110,734.17
Interest		\$37.87
Rent for 101 W E St.		\$2,500.00
HP Sears Collections		\$108.22
Past Contract payment		\$0.00
Private Pay Payments		\$163.10
Emp benefit reimbursement		\$137.59
Total Cash in		\$113,680.95
Operating Expenses		\$13,983.88
Payroll		
Wages		\$8,639.58
Taxes/Fees		\$1,500.67
Total Payroll expense		\$10,140.25
TOTAL Expenses		\$24,124.13
Net Income		\$89,556.82

FY23	July	August	September	October	November	December	January
Cash In	\$7,763.60	\$3,029.00	\$2,906.09	\$113,680.95			
Operating Expenses	\$49,102.54	\$19,155.80	\$35,504.82	\$13,983.88			
Payroll & Expenses							
Wages	\$8,977.14	\$8,996.57	\$9,507.15	\$8,639.58			
W/H, Taxes, Billing	\$982.16	\$1,495.33	\$1,598.00	\$1,500.67			
Total Expenses	\$59,061.84	\$29,647.70	\$46,509.97	\$24,124.13			
Net Income	-\$51,298.24	-\$26,618.70	-\$43,603.88	\$89,556.82			

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FY23	February	March	April	May	June	Total	FY23 Budget
Cash in						\$127,379.64	\$1,147,400
Operating Exp							
Payroll & Exp							
Wages						\$36,120.44	
W/H & Billing							
Total Expenses						\$159,343.64	\$554,320
Net Income						-\$31,964.00	