

EAST KERN HEALTH CARE DISTRICT

**COUNTY OF KERN
CALIFORNIA CITY, CALIFORNIA**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019**

BURKEY COX EVANS & BRADFORD
Accountancy Corporation
1058 West Avenue M-14, Suite B
Palmdale, CA 93551

**EAST KERN HEALTH CARE DISTRICT
ORGANIZATION AND BOARD OF DIRECTORS
JUNE 30, 2019**

BOARD OF DIRECTORS

MEMBER

Shirley Heathman

Robert Smith

Tawney Sparks

Connstance Bentley

Karen Macedonio

OFFICE

President

Vice President

Secretary / Treasurer

Director

Director

**EAST KERN HEALTH CARE DISTRICT
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JUNE 30, 2019**

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FINANCIAL INFORMATION



BURKEY COX EVANS & BRADFORD

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SARAH E. COX, EA

INDEPENDENT AUDITORS' REPORT

Board of Directors
East Kern Health Care District
California City, California

We have audited the accompanying financial statements of the business-type activities of East Kern Health Care District (the District), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of East Kern Health Care District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 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.

Burkey Cox Evans & Bradford

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**EAST KERN HEALTH CARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Kern Health Care District (the District) provides an introduction to the financial statements of the District for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total assets were valued at \$2,195,159 on June 30, 2019.
- The District's total liabilities were valued at \$0 on June 30, 2019.
- The District's total net position was valued at \$2,195,159 on June 30, 2019.
- Total net position continued to remain stable with a 4.69% increase from prior fiscal year primarily due to continuing net income.
- Total revenues for the current fiscal year were \$260,091 which is \$1,753 lower than revenues collected in the prior fiscal year, primarily related to lower revenues from lease agreements.
- Total expenses totaled \$161,657. Total expenses were \$77 lower than the prior fiscal year, primarily due to the timing of the prior fiscal year financial statement audits.
- Total revenues for this fiscal year ended June 30, 2019, were \$98,434 more than total expenses.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the changes in cash balance during the reporting period.

**EAST KERN HEALTH CARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in it. The District's net position – the difference between assets and liabilities – are one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 18.

Statement of Net Position

Condensed Statements of Net Position

	June 30, 2019	June 30, 2018	Change
Assets:			
Current Assets	\$ 943,481	\$ 918,569	\$ 24,912
Capital Assets	1,251,678	1,189,769	61,909
Total Assets	\$ 2,195,159	\$ 2,108,338	\$ 86,821
Liabilities:			
Current Liabilities	\$ -	\$ 8,000	\$ (8,000)
Long-Term Liabilities	-	3,613	(3,613)
Total Liabilities	-	11,613	(11,613)
Net Position:			
Net Investment in Capital Assets	1,251,678	1,186,156	65,522
Restricted	-	-	-
Unrestricted	943,481	910,569	32,912
Total Net Position	2,195,159	2,096,725	98,434
Total Liabilities and Net Position	\$ 2,195,159	\$ 2,108,338	\$ 86,821

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,195,159 and \$2,096,725 as of June 30, 2019 and 2018, respectively.

**EAST KERN HEALTH CARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019**

A large portion of the District's net position, 57.02% as of June 30, 2019, and 56.57% as of June 30, 2018, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2019 and 2018, the District showed a positive balance in its unrestricted net position of \$943,481 and \$910,588, respectively, which may be utilized in future years.

Statement of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Revenues:			
Operating Revenues	\$ 43,776	\$ 62,976	\$ (19,200)
Non-Operating Revenues	216,315	198,868	17,447
Total Revenues	<u>260,091</u>	<u>261,844</u>	<u>(1,753)</u>
Expenses:			
Operating Expenses	111,565	119,489	(7,924)
Depreciation	46,015	38,526	7,489
Non-Operating Expenses	4,077	3,719	358
Total Expenses	<u>161,657</u>	<u>161,734</u>	<u>(77)</u>
Net Position:			
Change in Net Position	98,434	100,110	(1,676)
Net Position - Beginning of Year	2,096,725	1,996,615	100,110
Net Position - End of Year	<u>\$ 2,195,159</u>	<u>\$ 2,096,725</u>	<u>\$ 98,434</u>

The Statement of Revenues, Expenses, and Changes in Net Position show how the District's net position changed during the years. In the case of the District, net position increased by \$98,434 and \$100,110 for the years ended June 30, 2019 and 2018, respectively.

A closer examination of the sources of changes in net position reveals that:

The District's fiscal year 2019 operating revenues decreased \$19,200 while the operating expenses decreased \$7,924.

The District's fiscal year 2019 non-operating revenues increased \$17,447, while the non-operating expenses decreased \$358.

BUDGETARY HIGHLIGHTS

Total revenues were \$29,666 greater than budget projections. Of this amount, \$20,914 is related to property tax revenues, \$4,665 is related to cancer drive income net of expenses, \$9,541 is related to interest revenues, \$3,810 of reimbursements; offset by \$9,264 related to lease income revenues.

**EAST KERN HEALTH CARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019**

Total expenses were \$479,088 less than budget projections. Of this amount, \$489,756 is related to repairs and maintenance, \$12,964 is related to utilities; \$8,000 is related to consulting; offset by \$8,573 related to grounds keeping expense and depreciation expense being over budget by \$44,134 as it was not budgeted, the remaining amount is due to various accounts. More information regarding the budget variances is present in the notes to the financial statements and schedule of revenues and expenses – budget and actual.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - For the year ended June 30, 2019, the District invested in \$107,924 in additional capital assets. More information regarding the District's changes in capital assets is presented in the notes to the financial statements.

Long-Term Debt –During the fiscal year ended June 30, 2019, the District did not obtain any additional notes payable. The Bay Avenue Loan was paid in full in August 2018. Principal payments of \$3,613 were made during 2019. More information regarding the District's changes in long-term debt is presented in the notes to the financial statements.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any conditions that would have a significant impact on the District's financial position, net position, or operating results in future periods.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District Manager, Tiffanie Breen.

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BASIC FINANCIAL STATEMENTS

**EAST KERN HEALTH CARE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 943,068
Property Tax Receivable	413
	<hr/>
Total Current Assets	943,481

NON-CURRENT ASSETS

Capital Assets, Net of Accumulated Depreciation	1,251,678
	<hr/>
Total Assets	\$ 2,195,159

LIABILITIES AND NET POSITION

LIABILITIES

Total Liabilities	\$ -
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NET POSITION

Net Investment in Capital Assets	1,251,678
Unrestricted	943,481
	<hr/>
Total Net Position	\$ 2,195,159

See accompanying notes to financial statements.

**EAST KERN HEALTH CARE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES

Lease Income		\$ 43,776
	Total Operating Revenues	43,776

OPERATING EXPENSES

Administration and General		33,276
Depreciation		46,015
Services and Supplies		48,053
Utilities		30,236
	Total Operating Expenses	157,580
	Operating Income (Loss)	(113,804)

NON OPERATING REVENUES (EXPENSES)

Property Taxes		202,914
Reimbursement		3,810
Interest Income		9,591
Donations		(250)
Interest Expense		(41)
Loan Bay Ave		(2,951)
Cancer Drive, Net		(835)
	Non-Operating Revenues (Expenses)	212,238
	Income (Loss)	98,434
	Net Position at the Beginning of the Year	2,096,725
	Net Position at the End of the Year	\$ 2,195,159

See accompanying notes to financial statements.

**EAST KERN HEALTH CARE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Leasing Activities	\$ 43,776
Cash Payments for General and Administrative Expenses	<u>(119,565)</u>
Net Cash Provided (Used) by Operating Activities	<u>(75,789)</u>

CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES

Miscellaneous Income (Expense)	(226)
Tax Revenues Received	<u>202,654</u>
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>202,428</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Repayment of Note Payable	(3,613)
Acquisition of Property and Equipment	<u>(107,924)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(111,537)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income Received	9,591
Payment of Interest on Debt	<u>(41)</u>
Net Cash Provided (Used) by Investing Activities	<u>9,550</u>

Net Increase (Decrease) in Cash and Investments 24,652

Unrestricted Cash and Investments - Beginning of Year 918,416

Unrestricted Cash and Investments - End of Year \$ 943,068

FINANCIAL STATEMENT PRESENTATION

Cash and Investments - Unrestricted	\$ 943,068
Total Cash and Investments	<u><u>\$ 943,068</u></u>

See accompanying notes to financial statements.

**EAST KERN HEALTH CARE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED (USED) BY OPERATIONS**

Operating Income (Loss)	\$ (113,804)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	46,015
Changes in Liabilities - Increase/(Decrease) in :	
Accounts Payable	<u>(8,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (75,789)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Kern Health Care District (the District) is located in California City, California. The District operates an X-ray facility and leases office space to local health care providers to facilitate the organization and delivery of comprehensive health care services to the people of East Kern County. The East Kern Health Care District is a special district organized under the California Health and Safety Code. The District operates under an elected Board of Directors-Administrator form of government.

The District accounts for its financial transactions in accordance with the policies and procedures of the State of California – Uniform System of Accounts for Special Districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

A. Description of the Reporting Entity

The District is a reporting entity which consists of the District as the oversight unit. Oversight responsibility is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and ability to significantly influence operations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District accounts for its operation in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has the option of following subsequent private-sector guidance for the business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues are those revenues that are generated by operating an x-ray facility and leasing office space to local health care providers, while operating expenses pertain to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of operating an x-ray facility and leasing office space to local health care providers. Non-operating revenues mainly consist of tax revenues, investment income, and miscellaneous income.

The District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various sales taxes, property taxes, and most donations are examples of nonexchange transactions.

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Budgets and Budgetary Accounting

By state law, the District's Governing Board must adopt a final budget no later than August 1. A public hearing must be conducted to receive comments prior to adoption. These budgets are revised by the District's Governing Board and District Manager during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

All budgets were adopted on a basis that materially conforms to generally accepted accounting principles (GAAP).

D. Deposits and Investments

All deposits of the District are made in board-designated official depositories and are secured as required by State Law. The District may designate as an official depository any bank or savings and loan association. Also, the District may establish time deposit accounts such money market accounts and certificates of deposits.

As required the District's investments are stated at fair value as determined by quoted market prices. The District's investments are pooled moneys in the local agency investment funds administered by the State of California. Income from pooled moneys is allocated to the District based on the District's respective share of total pooled cash and investments. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

E. Cash and Cash Equivalents

The District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Allowances for Uncollectible Accounts

For reporting purposes an allowance for doubtful accounts has been established. This account is maintained to estimate the losses that result from the failure or inability of customers to make required payments.

G. Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The District defines capital assets as assets with an individual cost of more than \$1,000, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method. Capital assets are depreciated on the following basis:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	5-50 years
Equipment, Furniture and Fixtures	5-20 years

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accrued Liabilities

All payables and accrued liabilities are reported in the financial statements. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources.

I. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** – This component of net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15, and March 15. Unsecured property taxes are payable in one installment on or before August 31. Property taxes are billed and collected for the District by Kern County. The District does not receive any property tax revenues directly; however delinquent special assessments are turned over to the counties for collection with regular delinquent property tax assessments.

L. Recent Pronouncements

In June 2017 the GASB issued Statement No 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is evaluating the impact of this standard on the financial statements.

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS

Unrestricted cash and cash equivalents as of June 30, 2019, consists of the following:

Cash on Hand	\$ 600
Cash in Bank	511,175
Pooled Investments - State of California	431,293
Total Cash and Cash Equivalents	\$ 943,068

The District had no restricted Cash and Investments at June 30, 2019.

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations -			
CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper —		40% of the	Highest letter and number
Pooled Funds	270 days	agency's money	rating by an NRSRO
Commercial Paper—		25% of the	Highest letter and number
Non-Pooled Funds	270 days	agency's money	rating by an NRSRO
Negotiable Certificates	5 years	30% (combined	None
Non-negotiable Certificates	5 years	None	None
		30% (inclusive of	
Placement Service		placement service	
Deposits	5 years	CDs)	None
Placement Service	5 years	30% (combined	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase		20% of the base	
Agreements and Securities		value of the	
Lending Agreements	92 days	portfolio	None
Medium-Term Notes	10 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money			
Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" rating category or its equivalent or better

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Minimum Quality Requirements</u>
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool Fund (LAIF)	N/A	None	Multiple
Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" rating category or its equivalent or better

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as Kern County and the State of California.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and remaining balances is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in Local Government Investment Pools

<u>Investments Measured at the Net Asset Value</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently eligible)</u>	<u>Redemption Notice Period</u>
Pooled Investments - LAIF	\$ 431,293	-	Daily	1 Day
Total Investments Measured at the NAV	<u>\$ 431,293</u>			

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 –CASH AND INVESTMENTS (Continued)

Investment in Local Government Investment Pools (Continued)

The District is a voluntary participant in the Local Government Investment Pool (LAIF) that is regulated by the California Government Code under the oversight of and the State of California. The fair value of the District's investment in these pools is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the State of California for the entire portfolio (in relation to the amortized cost of that portfolio). There are no limitations or restrictions on withdrawal and the fund's authority does not impose liquidity fees or redemption gates.

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 District 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 portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Investments at June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>Carrying Amount</u>	<u>12 months or less</u>	<u>13 to 36 months</u>	<u>37 to 60 months</u>
Cash on Hand	\$ 600	\$ 600	\$ -	\$ -
Cash in Bank	511,175	511,175	-	-
Pooled Investments - State of California	431,293	431,293	-	-
Total	<u>\$ 943,068</u>	<u>\$ 943,068</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings at June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>
Cash on Hand	\$ 600	N/A	\$ 600
Cash in Bank	511,175	N/A	511,175
Pooled Investments - State of California	431,293	N/A	431,293
Total	<u>\$ 943,068</u>		<u>\$ 943,068</u>

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2019:

Property Tax Receivable	\$ 413
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Accounts Receivable	<u><u>\$ 413</u></u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2019, is presented below:

	Balance July 01, 2018	Additions	Disposals	Balance June 30, 2019
Non-depreciable Assets:				
Land	\$ 178,205	\$ -	\$ -	\$ 178,205
Total Non-depreciable Assets	<u>178,205</u>	<u>-</u>	<u>-</u>	<u>178,205</u>
Depreciable Assets:				
Buildings	1,753,509	-	-	1,753,509
Equipment, Furniture and Fixtures	82,468	1,383	-	83,851
Improvements	-	106,541	-	106,541
Total Depreciable Assets	<u>1,835,977</u>	<u>107,924</u>	<u>-</u>	<u>1,943,901</u>
Accumulated Depreciation	<u>(824,413)</u>	<u>(46,015)</u>	<u>-</u>	<u>(870,428)</u>
Total Depreciable Assets, Net	<u>1,011,564</u>	<u>61,909</u>	<u>-</u>	<u>1,073,473</u>
Total Capital Assets, Net	<u><u>\$ 1,189,769</u></u>	<u><u>\$ 61,909</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,251,678</u></u>

NOTE 5 –LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2019, is presented below:

	Balance July 01, 2018	Borrowings	Payments	Balance June 30, 2019
Note Payable:				
Note Payable to Dalffe Development Enterprises, Inc., interest rate at 5.00%; due in 2019; monthly payments of \$3,302.47; secured by Real Property.	\$ 3,613	\$ -	\$ (3,613)	\$ -
	<u>3,613</u>	<u>-</u>	<u>(3,613)</u>	<u>-</u>

As the note payable was paid in full during the fiscal year, the balance sheet classification at June 30, 2019, is as follows:

Current Portion	Long-Term Portion	Total Amount
\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>

**EAST KERN HEALTH CARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations for the year ended June 30, 2019, were as follows:

Depreciation	46,015
Bank Charges	8
Donations	250
Dues and Subscriptions	411
Grounds Keeping	8,573
Professional Services	73
Telephone	2,802
Interest Expense	41

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year ended June 30, 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

NOTE 8 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported.	Not applicable.

B. Deficit Fund Balance of Fund Net Position of Individual Funds

The following are funds having deficit fund balances or fund net assets at year-end, if any, along with remarks, which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported.	Not applicable.	Not applicable.

REQUIRED SUPPLEMENTARY INFORMATION

EAST KERN HEALTH CARE DISTRICT
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES	Original Budget	Final Budget	2018-19 Actual	Over (Under) Budget
OPERATING REVENUES				
Lease Income	\$ 53,040	\$ 53,040	\$ 43,776	\$ (9,264)
Total Operating Revenues	<u>53,040</u>	<u>53,040</u>	<u>43,776</u>	<u>(9,264)</u>
OPERATING EXPENSES				
Administration and General:				
Administrator	23,230	23,230	26,146	2,916
Directors Fees	7,200	7,200	6,600	(600)
Workers Comp Insurance	4,000	4,000	530	(3,470)
Total Administration and General	<u>34,430</u>	<u>34,430</u>	<u>33,276</u>	<u>(1,154)</u>
Depreciation	-	-	46,015	46,015
Services and Supplies:				
Annual Audit	8,112	8,112	500	(7,612)
Bank Charges	-	-	8	8
Consulting	8,000	8,000	-	(8,000)
Dues and Subscriptions	-	-	411	411
Donations	-	-	250	250
Grounds Keeping	-	-	8,573	8,573
Insurance-Liability	13,000	13,000	8,506	(4,494)
Legal	12,480	12,480	11,370	(1,110)
Meals on Wheels	3,000	3,000	3,000	-
Mortgage	6,606	6,606	2,951	(3,655)
Professional Services	-	-	73	73
Repairs and Maintenance	500,000	500,000	10,244	(489,756)
Supplies-Office	5,000	5,000	2,423	(2,577)
Telephone	-	-	2,802	2,802
Travel and Conferences	6,000	6,000	143.00	(5,857)
Total Services and Supplies	<u>562,198</u>	<u>562,198</u>	<u>51,254</u>	<u>(510,944)</u>
Utilities	<u>43,200</u>	<u>43,200</u>	<u>30,236</u>	<u>(12,964)</u>
Total Operating Expenses	<u>639,828</u>	<u>639,828</u>	<u>160,781</u>	<u>(479,047)</u>
Operating Income (Loss)	<u>(586,788)</u>	<u>(586,788)</u>	<u>(117,005)</u>	<u>469,783</u>
NON-OPERATING REVENUES (EXPENSES)				
Property Taxes	182,000	182,000	202,914	20,914
Reimbursement	-	-	3,810	3,810
Interest Income	50	50	9,591	9,541
Interest Expense	-	-	(41)	(41)
Cancer Drive (net of expenses)	(5,500)	(5,500)	(835)	4,665
Total Non-Operating Revenues (Expenses)	<u>176,550</u>	<u>176,550</u>	<u>215,439</u>	<u>38,889</u>
Income (Loss)	<u>\$ (410,238)</u>	<u>\$ (410,238)</u>	<u>\$ 98,434</u>	<u>\$ 508,672</u>

See independent auditors' report.