



REGULAR MEETING AGENDA

**EAST KERN HEALTH CARE DISTRICT BOARD OF DIRECTORS
PO BOX 2546, CALIFORNIA CITY, CA 93504**

Mission Statement: "Building health, well-being, and resiliency".

February 07, 2023 5:00 pm (via Zoom only)

Participate in the meeting via Zoom by clicking on the link below:

<https://us02web.zoom.us/j/84089904411?pwd=S0ptK2krOGh6c1BZeUo1cnN4ZEpaZz09>

Meeting ID: 840 8990 4411

Passcode: 237606

If you wish to access the meeting by telephone, please dial
1 669 900 6833 US (San Jose), enter the meeting ID, and then press # (pound).

Public comments may be made through teleconference when prompted by the Chair during the public comment period. Public comments by also be provided by emailing eastkernhealthcaredistrict@gmail.com in advance of or during the meeting.

Please indicate "PUBLIC COMMENTS" in the subject line.

If you have difficulty connecting to the teleconference line, please call (213) 640-9355 or email eastkernhealthcaredistrict@gmail.com

PLEDGE OF ALLEGIANCE / INVOCATION

CALL TO ORDER

ROLL CALL

APPROVAL OF AGENDA

Motion _____ Second _____

Action _____

PUBLIC COMMENT

Members of the public are welcome to address the Board on any matter not on the Agenda and over which the Board has jurisdiction. If you wish to speak, please state your name for the record, and limit your comments to three (3) minutes.

PUBLIC PRESENTATIONS/COMMUNITY ANNOUNCEMENTS

CONSENT CALENDAR

CC1: Approve warrants

Pages 5-7

- A. Vendor checks
- B. ACH payments
- C. Debit card payments

CC2: Financial Reports

- A. Revenue
- B. Bank Balances
- C. Profit and Loss
- D. Audit Draft

Pages 8-34

CC3: Approval of Minutes

Pages 35-38

- A. Minutes from 01/17/23 Special Meeting
- B. Minutes from 09/20/2022 Special Meeting (Pending)
- C. Minutes from 09/06/2022 Regular Meeting (Pending)
- D. Minutes from 08/16/2022 Special Meeting (Pending)
- E. Minutes from 08/02/2022 Regular Meeting (Pending)

CC4: Continuing Resolution 2023 - 0207

Pages 39-40

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST KERN HEALTH CARE DISTRICT PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY N-25-20, DATED MARCH 12, 2020, AND N-29-20, DATED MARCH 17, 2020, AND N-35-20 AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE EAST KERN HEALTH CARE DISTRICT FOR THE PERIOD OF February 1, 2023 TO February 28, 2023 PURSUANT TO BROWN ACT PROVISIONS.

CC5: Resolution approving up to 6 meetings per month

Pages 41-42

APPROVAL OF CONSENT CALENDAR

Motion _____ Second _____

Action _____

CONTINUING BUSINESS

CB1: APPROVAL OF REVISED CONFLICT OF INTEREST CODE

Alex Lemieux, District Council

Motion _____ Second _____

Action _____

CB2: CPR AND FIRST AID TRAINING - Director LaMiya Patrick

CPR Training: Prior discussions:

1. 10/04/22, NB1 (under liaison reports) Director Patrick expressed an interest in training in CPR or possibly becoming an instructor.
2. 10/18/22 CB2 Director Patrick will report back on possible local resources.
3. 11/01/22 CB1 Director Patrick will report back on further research for possible local resources.
4. 11/15/22 CB1 Director Patrick will report back pending checking with Fire Dept.
5. 12/06/22 Future Agenda Item mention from Director Patrick, and Director Foley mentioned during that discussion that she may have a lead on a training resource.
6. 01/17/23 L. Patrick and R Foley were to confer on CPR training resources. L Patrick was to report back to Board at 02/07/23 meeting.

Motion _____ **Second** _____

Action _____

CB3: RETURN TO IN-PERSON MEETINGS

Motion _____ **Second** _____

Action _____

NEW BUSINESS

NB1: APPROVAL TO REPLACE ONE ROOFTOP A/C UNIT AT 9300 N LOOP

Motion _____ **Second** _____

Action _____

NB2: APPROVAL OF TEMPORARY FLOORING BETWEEN WEST POINT OFFICES AND RESTROOMS

Motion _____ **Second** _____

Action _____

NB3: APPOINT TWO DIRECTORS TO EAST KERN HEALTH CARE COLLABORATIVE

Pages 43-53

Motion _____ **Second** _____

Action _____

NB4: APPOINT TWO DIRECTORS TO QUAD HEALTHCARE CONSORTIUM JPA

Pages 54-64

Motion _____ Second _____

Action _____

DISTRICT UPDATES

PRESIDENT’S COMMENTS - K. Macedonio

Form 700s, Training Certificates

STAFF UPDATES

FACILITIES UPDATE - R. Macedonio

- 1. Bay Ave
- 2. N Loop Blvd

FUTURE AGENDA ITEMS

DIRECTOR COMMENTS, AB 1234

ADJOURNMENT

Motion _____ Second _____

Action _____

Next Regular Meeting: 3/07/23

PO BOX 2546, CALIFORNIA CITY, CA 93504 (Zoom only)

“Pursuant to Government code section 54954.2(a), any request for a disability-related modifications or accommodation, including auxiliary aids or services, that is sought in order to participate in this agendized public meeting should be directed to the District’s office at (760) 373 - 2804 at least 48 hours prior to said meeting.”


Date Agenda posted:

Agenda posted by:

VENDOR	MEMO LINE	AMOUNT
City of California City - Water	12/14/22 to 01/13/23, 101730.03 \$70.00 103347.01 \$307.44	\$377.44
Clearview Homes	1/24/23, 83314-5088, \$6330.00 1/25/23, 83314-5089, \$450.00 1/30/23, 83314-5123, \$250.00 1/30/23, 83314-5124, \$250.00	\$7280.00
Digitech	1/1/23, 15525	\$42.99
Lacson, Joselito, Designer	1/8/23, 2302	\$2000.00
Senior Citizen's Association of California City	11/30/22, 592312, November \$250.00, December \$250.00	\$500.00
Southern California Gas Co	2/13/22 to 1/12/23 049 013 9910 7, \$658.25 157 960 3623 2, \$44.68	\$702.93
Thugs to Bugs	2/3/2023, 46421, 0315, \$60.00 46422, 0313, \$45.00 46423, 0314, \$75.00	\$180.00
T Winn Maintenance	1/1/23, 0331174	\$200.00
Waste Management	01/01/23 to 01/31/23, 3898698-4808-2	\$387.86
		9 CHECKS, \$11,671.22 TOTAL

DEBIT CARD		
Ace Hardware	2/4/23, Trash bags for N Loop	\$17.15
Ace Hardware	2/4/23, 4 Keys for 9278 Utility Room	\$8.49
Levenger	2/6/23, Weekly margin calendar	\$16.60
		3 Debits, \$42.24 Total

AUTOMATIC DEBITS		
Zoom	1/25/23, 185771948	\$14.99
		1 ACH, \$14.99 TOTAL



**EAST KERN HEALTH CARE DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2022
(With Comparative Amounts as of June 30, 2021)**



NIGRO & NIGRO^{PC}

EAST KERN HEALTH CARE DISTRICT
For the Fiscal Year Ended June 30, 2022
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Financial Section



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the East Kern Health Care District (District), which comprise the balance sheet as of June 30, 2022, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Notes 1 and 4 to the financial statements, as of July 1, 2020, the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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.

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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 judgment, 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, 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 31, 2023, 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 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.

Murrieta, California
January 31, 2023

EAST KERN HEALTH CARE DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022

Management's Discussion and Analysis (MD&A) offers readers of the East Kern Health Care District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2022. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2022, the District's net position increased 1.13%, or \$23,764 from the prior year's net position of \$2,097,083 to \$2,120,847, as a result of the year's operations.
- In fiscal year 2022, total revenues increased by 12.76%, or \$37,721 from \$295,729 to \$333,450, from the prior year.
- In fiscal year 2022, total expenses increased by 7.16% or \$20,680 from \$289,006 to \$309,686, from the prior year, primarily due to an increase in materials and services.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, 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 Balance Sheet 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 and cash payments during the reporting period. The Statement of Cash Flows reports 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 change in cash balance during the reporting period.

EAST KERN HEALTH CARE DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

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 Balance Sheet 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 method 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 them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as 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.

Condensed Balance Sheets

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,161,475	\$ 1,075,000	\$ 86,475
Restricted assets	41,133	40,916	217
Non-current assets	31,702	66,534	(34,832)
Capital assets, net	<u>971,602</u>	<u>1,023,062</u>	<u>(51,460)</u>
Total assets	<u><u>\$ 2,205,912</u></u>	<u><u>\$ 2,205,512</u></u>	<u><u>\$ 400</u></u>
Liabilities:			
Current liabilities	<u>\$ 22,376</u>	<u>\$ 12,194</u>	<u>\$ 10,182</u>
Total liabilities	<u>22,376</u>	<u>12,194</u>	<u>10,182</u>
Deferred inflows of resources	<u>62,689</u>	<u>96,235</u>	<u>(33,546)</u>
Net position:			
Investment in capital assets	1,003,304	1,089,596	(86,292)
Restricted	41,133	40,916	217
Unrestricted	<u>1,076,410</u>	<u>966,571</u>	<u>109,839</u>
Total net position	<u>2,120,847</u>	<u>2,097,083</u>	<u>23,764</u>
Total liabilities, deferred inflows of resources and net	<u><u>\$ 2,205,912</u></u>	<u><u>\$ 2,205,512</u></u>	<u><u>\$ 400</u></u>

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 of the District exceeded liabilities by \$2,120,847 as of June 30, 2022.

EAST KERN HEALTH CARE DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (47% as of June 30, 2022) 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 its customers; consequently, these assets are not available for future spending.

At the end of year 2022, the District showed a positive balance in its unrestricted net position of \$1,076,410 which may be utilized in future years.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Operating revenues	\$ 91,313	\$ 76,682	\$ 14,631
Operating expenses	<u>309,686</u>	<u>289,006</u>	<u>(20,680)</u>
Operating loss	(218,373)	(212,324)	(6,049)
Non-operating revenues	<u>242,137</u>	<u>219,047</u>	<u>23,090</u>
Change in net position	23,764	6,723	17,041
Net position - beginning of period	<u>2,097,083</u>	<u>2,090,360</u>	<u>6,723</u>
Net position - end of period	<u>\$ 2,120,847</u>	<u>\$ 2,097,083</u>	<u>\$ 23,764</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position increased 1.13%, or \$23,764 from the prior year's net position of \$2,097,083 to \$2,120,847, as a result of the year's operations.

Total Revenues

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Office rental	\$ 66,896	\$ 72,980	\$ (6,084)
Other revenue	<u>24,417</u>	<u>3,702</u>	<u>20,715</u>
Total program revenues	<u>91,313</u>	<u>76,682</u>	<u>14,631</u>
Non-operating revenues:			
Property taxes	246,323	215,976	30,347
Investment earnings	(4,386)	2,841	(7,227)
Cancer fund donations, net	<u>200</u>	<u>230</u>	<u>(30)</u>
Total general revenues	<u>242,137</u>	<u>219,047</u>	<u>23,090</u>
Total revenues	<u>\$ 333,450</u>	<u>\$ 295,729</u>	<u>\$ 37,721</u>

In fiscal year 2022, total revenues increased by 12.76%, or \$37,721 from \$295,729 to \$333,450, from the prior year.

EAST KERN HEALTH CARE DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Expenses

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	Increase (Decrease)
Operating expenses:			
Salaries and wages	\$ 41,102	\$ 30,248	10,854
Facilities	103,834	107,098	(3,264)
Materials and services	113,290	100,200	13,090
Depreciation	<u>51,460</u>	<u>51,460</u>	<u>-</u>
Total expenses	<u>\$ 309,686</u>	<u>\$ 289,006</u>	<u>\$ 20,680</u>

In fiscal year 2022, total expenses increased by 7.16% or \$20,680 from \$289,006 to \$309,686, from the prior year, primarily due to an increase in materials and services.

Capital Assets

	<u>Balance June 30, 2022</u>	<u>Balance June 30, 2021</u>
Capital assets:		
Non-depreciable assets	\$ 178,205	\$ 178,205
Depreciable assets	1,578,491	1,578,491
Accumulated depreciation	<u>(785,094)</u>	<u>(733,634)</u>
Total capital assets, net	<u>\$ 971,602</u>	<u>\$ 1,023,062</u>

At the end of year 2022, the District's investment in capital assets amounted to \$971,602 (net of accumulated depreciation), respectively. See Note 5 for further information.

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.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the District's current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Manager at 8101 Bay Avenue, California City, CA 93505 – (760) 373-2804.

EAST KERN HEALTH CARE DISTRICT*Balance Sheet**June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

<u>ASSETS</u>	<u>2022</u>	<u>Restated 2021</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,102,497	\$ 1,037,786
Restricted – cash and cash equivalents (Note 3)	41,133	40,916
Accrued interest receivable	1,354	572
Lease receivable (Note 4)	37,955	34,142
Prepaid items	19,669	2,500
Total current assets	<u>1,202,608</u>	<u>1,115,916</u>
Non-current assets:		
Lease receivable (Note 4)	31,702	66,534
Capital assets – not being depreciated (Note 5)	178,205	178,205
Capital assets – being depreciated, net (Note 5)	793,397	844,857
Total non-current assets	<u>1,003,304</u>	<u>1,089,596</u>
Total assets	<u>\$ 2,205,912</u>	<u>\$ 2,205,512</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,226	\$ 5,194
Unearned revenue and deposits	5,150	7,000
Total liabilities	<u>22,376</u>	<u>12,194</u>
Deferred inflows of resources:		
Deferred amounts related to leases (Note 4)	62,689	96,235
Total deferred inflows of resources	<u>62,689</u>	<u>96,235</u>
Net position:		
Investment in capital assets	1,003,304	1,089,596
Restricted (Note 3)	41,133	40,916
Unrestricted	1,076,410	966,571
Total net position	<u>2,120,847</u>	<u>2,097,083</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,205,912</u>	<u>\$ 2,205,512</u>

EAST KERN HEALTH CARE DISTRICT*Statement of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>Restated 2021</u>
Operating revenues:		
Office rental	\$ 66,896	\$ 72,980
Other revenue	24,417	3,702
Total operating revenues	<u>91,313</u>	<u>76,682</u>
Operating expenses:		
Salaries and wages	41,102	30,248
Facilities	103,834	107,098
Materials and services	113,290	100,200
Depreciation	51,460	51,460
Total operating expenses	<u>309,686</u>	<u>289,006</u>
Operating loss	<u>(218,373)</u>	<u>(212,324)</u>
Non-operating revenues:		
Property taxes	246,323	215,976
Investment earnings	(4,386)	2,841
Cancer fund donations, net (Note 6)	200	230
Total non-operating revenues	<u>242,137</u>	<u>219,047</u>
Change in net position	23,764	6,723
Net position:		
Beginning of year, as restated (Note 7)	<u>2,097,083</u>	<u>2,090,360</u>
End of year	<u>\$ 2,120,847</u>	<u>\$ 2,097,083</u>

EAST KERN HEALTH CARE DISTRICT*Statement of Cash Flows**For the Fiscal Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>Restated 2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 120,682	\$ (34,264)
Cash paid to employees for salaries and wages	(41,102)	(24,713)
Cash payments for operating expenses	<u>(255,807)</u>	<u>(118,144)</u>
Net cash used in operating activities	<u>(176,227)</u>	<u>(177,121)</u>
Cash flows from non-capital related financing activities:		
Property taxes	<u>246,323</u>	<u>215,976</u>
Net cash provided by non-capital related financing activities	<u>246,323</u>	<u>215,976</u>
Cash flows from investing activities:		
Investment earnings	<u>(5,168)</u>	<u>4,376</u>
Net cash provided by (used in) investing activities	<u>(5,168)</u>	<u>4,376</u>
Net increase in cash and cash equivalents	64,928	43,231
Cash and cash equivalents:		
Beginning of year	<u>1,078,702</u>	<u>1,035,471</u>
End of year	<u>\$ 1,143,630</u>	<u>\$ 1,078,702</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents	\$ 1,102,497	\$ 1,037,786
Restricted – cash and cash equivalents	<u>41,133</u>	<u>40,916</u>
Total cash and cash equivalents on the balance sheet:	<u>\$ 1,143,630</u>	<u>\$ 1,078,702</u>

EAST KERN HEALTH CARE DISTRICT*Statement of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>Restated 2021</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (218,373)	\$ (212,324)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	51,460	51,460
Cancer fund donations, net	200	230
Increase (decrease) in assets:		
Prepaid items	(17,169)	(2,500)
Lease receivable	31,019	(100,676)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	12,032	954
Unearned revenue and deposits	(1,850)	(10,500)
Increase (decrease) in deferred inflows of resources:		
Deferred amounts related to leases	(33,546)	96,235
Net cash used in operating activities	<u>\$ (176,227)</u>	<u>\$ (177,121)</u>

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The East Kern Health Care District (District) is located in California City, California. The District 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 criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Prepaid Items

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Position (continued)

4. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue.

The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings and improvements	5-50 years
Equipment	5-20 years

6. Deferred Inflows of Resources

In addition to liabilities, the fund balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

7. Net Position

Net position is classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets net of accumulated depreciation.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "investment in capital assets or restricted."

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The County Auditor-Controller's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

F. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2022, the District has implemented a new pronouncement as follows:

GASB 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. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed its effective date by 18 months due to the COVID-19 pandemic and its effect on the audit/accounting industry. The District adopted the Statement as of July 1, 2020. See Note 4 for the effect of this Statement.

EAST KERN HEALTH CARE DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2022 on the balance sheet:

<u>Description</u>	<u>June 30, 2022</u>
Cash and cash equivalents	\$ 1,102,497
Restricted – cash and cash equivalents	<u>41,133</u>
Total cash and cash equivalents	<u>\$ 1,143,630</u>

Cash and cash equivalents at June 30, 2022 on the balance sheet consisted of the following:

<u>Description</u>	<u>June 30, 2022</u>
Demand deposits with financial institutions	478,161
Local Agency Investment Fund (LAIF)	<u>665,469</u>
Total cash and cash equivalents	<u>\$ 1,143,630</u>

Demand Deposits

At June 30, 2022, the carrying amount of the District’s demand deposits were \$478,161 and the financial institutions balance totaled \$500,993. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers’ money to manage the State’s cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF) (continued)

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2022, the District held \$665,469 in LAIF.

NOTE 3 – RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets as of June 30, 2022, were categorized as follows:

<u>Description</u>	<u>June 30, 2022</u>
Cancer funds	\$ 41,133
Total restricted net position	\$ 41,133

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable is as follows:

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
Rental property No. 1	\$ 26,328	\$ -	\$ (10,584)	\$ 15,744
Rental property No. 2	20,199	-	(6,390)	13,809
Rental property No. 3	54,149	-	(14,045)	40,104
Total lease receivable	\$ 100,676	\$ -	\$ (31,019)	\$ 69,657

The District is reporting a total lease receivable of \$69,657 and a total related deferred inflows of resources of \$62,689 for the year ending June 30, 2022. Also, the District is reporting total lease revenue of \$33,546 and interest revenue of \$1,702 related to lease payments received.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility.

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The Included Leases are summarized as follows:

Rental Property No.1

The District, on July, 1, 2020, signed a 39 month lease as lessor for the use of commercial property. An initial lease receivable was recorded in the amount of \$37,654. As of June 30, 2022, the value of the lease receivable was \$15,744. The lease is required to make monthly fixed payments of \$998. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2% to discount the lease revenue to the net present value. The value of the deferred inflow of resource was \$14,482 as of June 30, 2022. The District recognized lease revenue of \$11,586 and interest revenue of \$421 during the fiscal year. Since this is considered a volatile lease only the initial period has been recognized.

Rental Property No.2

The District, on November, 1, 2020, signed a 36 month lease as lessor for the use of commercial property. An initial lease receivable was recorded in the amount of \$25,800. As of June 30, 2022, the value of the lease receivable was \$13,809. The lease is required to make monthly fixed payments of \$739. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2% to discount the lease revenue to the net present value. The value of the deferred inflow of resource was \$11,466 as of June 30, 2022. The District recognized lease revenue of \$8,600 and interest revenue of \$326 during the fiscal year. Since this is considered a volatile lease only the initial period has been recognized.

Rental Property No.3

The District, on July, 1, 2020, signed a 57 month lease as lessor for the use of commercial property. An initial lease receivable was recorded in the amount of \$63,461. As of June 30, 2022, the value of the lease receivable was \$40,104. The lease is required to make monthly fixed payments of \$812.50 for the first 6-month period, then increase to \$937.50 for the next 6-month period, and increase to \$1,250 for the remainder of the lease term. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2% to discount the lease revenue to the net present value. The value of the deferred inflow of resource was \$36,741 as of June 30, 2022. The District recognized lease revenue of \$13,360 and interest revenue of \$955 during the fiscal year. Since this is considered a volatile lease only the initial period has been recognized.

Minimum future lease receipts for the next three fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 37,955	\$ 1,013	\$ 38,968
2024	20,546	404	20,950
2025	11,156	93	11,249
Total	69,657	\$ 1,510	\$ 71,167
Current	<u>(37,955)</u>		
Long-term	<u>\$ 31,702</u>		

EAST KERN HEALTH CARE DISTRICT
Notes to Financial Statements
 June 30, 2022

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Changes in the District’s deferred inflows of resources related to leases is as follows:

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
Rental property No. 1	\$ 26,068	\$ -	\$ (11,586)	\$ 14,482
Rental property No. 2	20,066	-	(8,600)	11,466
Rental property No. 3	50,101	-	(13,360)	36,741
Total deferred inflows	\$ 96,235	\$ -	\$ (33,546)	\$ 62,689

The amounts reported as deferred inflows of resources related to the leases for the year ended June 30, 2022, will be amortized in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 33,546
2024	19,123
2025	10,020
Total	\$ 62,689

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2022</u>
Non-depreciable capital assets:				
Land	\$ 178,205	\$ -	\$ -	\$ 178,205
Total non-depreciable capital assets	178,205	-	-	178,205
Depreciable capital assets:				
Buildings and improvements	1,578,491	-	-	1,578,491
Total depreciable capital assets	1,578,491	-	-	1,578,491
Accumulated depreciation:				
Buildings and improvements	(733,634)	(51,460)	-	(785,094)
Total accumulated depreciation	(733,634)	(51,460)	-	(785,094)
Total depreciable capital assets, net	844,857	(51,460)	-	793,397
Total capital assets, net	\$ 1,023,062	\$ (51,460)	\$ -	\$ 971,602

EAST KERN HEALTH CARE DISTRICT
Notes to Financial Statements
 June 30, 2022

NOTE 6 – CANCER FUNDS

Cancer funds activity for the year ended June 30, 2022, was as follows:

<u>Description</u>	<u>Net Position</u>
Restricted – June 30, 2021	\$ 40,916
Donations	200
Interest earnings	17
Restricted – June 30, 2022	<u>\$ 41,133</u>

NOTE 7 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of July 1, 2020 was restated by \$0, for the District’s retroactive restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease started on July 1, 2020:

<u>Description</u>	<u>Balance</u>
Net position:	
Beginning of year, as previously stated	\$ 2,090,360
Lease receivable	126,914
Deferred amounts related to leases	<u>(126,914)</u>
Net adjustment	<u>-</u>
Beginning of year, as restated	<u>\$ 2,090,360</u>

Beginning net position as of July 1, 2021 was restated by \$4,441, for the District’s restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease continued through July 1, 2021:

<u>Description</u>	<u>Balance</u>
Net position:	
Beginning of year, as previously stated	\$ 2,092,642
Lease receivable	100,676
Deferred amounts related to leases	<u>(96,235)</u>
Net adjustment	<u>4,441</u>
Beginning of year, as restated	<u>\$ 2,097,083</u>

EAST KERN HEALTH CARE DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – 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 has engaged insurance products to guard against the various risks of loss noted above.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021, and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 31, 2023, the date which the financial statements were available to be issued.

Other Independent Auditors' Reports



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

Board of Directors
East Kern Health Care District
California City, 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 governmental activities and the General Fund of East Kern Health Care District (District) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2023.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Murrieta, California
January 31, 2023



SUMMARY OF PROCEEDINGS
BOARD OF DIRECTORS EAST KERN HEALTH CARE DISTRICT
PO BOX 2546, CALIFORNIA CITY, CA 93504
REGULAR MEETING
January 17, 2023, 5:00pm
"Building health, well-being, and resiliency."

1. **Pledge of Allegiance led by R. Macedonio** 17:01:00
2. **Meeting called to order** 17:02:00
3. **Roll Call - Directors** 17:02:22
 - Directors present**
R. Macedonio, L. Patrick, L. Peralta, K. Macedonio
 - Directors absent:**
R. Foley (Arrived 5:17)
4. **Public Comment** 17:03:15
Patti Orr of Mojave Desert News gave comments
5. **Public Presentations** 17:06:00
Ryan Gunstream of Noresco gave a presentation
6. **NB1: Closed Session** 17:22:30
Discussion of hiring part-time certified personnel for the positions of Clerk and General Manager, under Government Code section 54957(b)(1)
7. **Report out of Closed Session - Alex Lemieux, District Council** 17:45:20
"The Board met in closed session, pursuant to Government Code section 54957(b)(1), Public Employee, Appointment: General Manager. The Board did not take any reportable action. This concludes attorney's Closed Session Report."
8. **NB2: Water intrusion and new insurance claim** 17:45:56
No action taken
9. **NB3: Review and revision of contracts with Joselito Lacson Design** 17:51:55

Motion to revise the contracts with Joselito Lacson Design 17:57:49
R Macedonio, L. Patrick
5 - 0,
5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K Macedonio

10. Continuing Business 17:21:20

CB1 - Election of Officers

A. President: K. Macedonio 18:10:10
5 - 0
5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K. Macedonio

B. Vice President: L. Patrick 18:10:56
5 - 0
5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K. Macedonio

C. Secretary: R. Foley 18:11:17
5 - 0
5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K. Macedonio

D. Treasurer: L. Peralta 18:11:45
5 - 0
5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K. Macedonio

CB2 - CB2: ESTABLISHMENT OF COMMITTEES AND LIAISONS 18:12:28

EKHCD Admin Code Page 7, section 2-1.204: "Committees shall be formed as soon as practical after the election of a President. The President shall designate the task of each committee and appoint persons to serve on each committee. In the absence of objection by a majority of the Board, the President's action shall be final."

President K. Macedonio established and filled the following Liaison positions:

- Facilities Liaison: R. Macedonio**
- Community Engagement Liaison: L. Peralta**
- Disaster Plan Liaison: R. Foley**
- Safety Plan Liaison: L. Patrick**

CB3: CPR Training - L. Patrick 18:14:05
L. Patrick gave information and comments.

CB4: Mandatory Trainings 18:26:36
Alex Lemieux gave the following information for the following trainings:
Ethics: 9:00 am - 11:00 am, Jan 19
Sexual Harassment 11:00 am - 1:00 pm, Jan 19

CB5: Review of Conflict of Interest Code

18:30:44

Alex Lemieux gave a status update, information and comments

11. Consent Calendar

18:33:05

All items on the Consent Calendar are considered routine, non-controversial and will be approved by (1) motion if no Director, Staff, or public member wish to comment or ask questions. Public comments are limited to (3) minutes. Roll call vote required.

CC1: Approval of Warrants Vendor Checks: (\$9.745.86)

CC2: Approval of Action Minutes Format and Content of 01/03/23 Minutes

Corrections to content of 01/03/23 were proposed:

1. CC3: This item needs the date of the Minutes being approved
2. CB3 Aleshire and Snyder (spelling correction)
3. AB1234: If there were no comments, enter "none" instead of leaving it blank

Approval of Consent Calendar

18:37:33

R Macedonio, R. Foley

5 - 0

5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K Macedonio

12. District Updates

18:38:06

President's Comments

President K. Macedonio gave comments on deadlines for filing various forms

Staff Updates

BJ Lindsay, District Administrator

BJ gave an update re: webinar trainings status

N. Schenk, Technical Support

N. Schenk gave comments re: webinar trainings and staff duties

Facilities Report - R. Macedonio

R. Macedonio gave report

13. Future Agenda Items

18:46:04

CPR Training - L. Patrick

Approval of Conflict of Interest Code

Approval of Action Minutes format

Discussion of return to in-person meetings

Form 700 deadlines

Summary of Board Actions of 2022 (Staff Report)

14. AB1234

18:49:09

R. Foley- Ethics and Sexual Harassment trainings are available on CSDA website.
R. Foley will update on if these trainings fulfill mandatory requirements.

15. Adjournment

18:51:16

R Macedonio - L Peralta

5 - 0

5 Ayes, R. Foley, R Macedonio, L. Patrick, L Peralta, K Macedonio

PASSED, APPROVED AND ADOPTED on this ____ Day of _____ 20__

SIGNED:

K. Macedonio, President

R. Foley, Secretary

SEAL:

DRAFT COPY

RESOLUTION NO. 2023 - 0207-1

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST KERN HEALTH CARE DISTRICT PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY N-25-20, DATED MARCH 12, 2020, AND N-29-20, DATED MARCH 17, 2020, AND N-35-20 AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE EAST KERN HEALTH CARE DISTRICT FOR THE PERIOD OF FEBRUARY 1, 2023 TO FEBRUARY 28, 2023 PURSUANT TO BROWN ACT PROVISIONS.

WHEREAS, the EAST KERN HEALTH CARE DISTRICT is committed to preserving and nurturing public access and participation in meetings of the Board of Directors; and

WHEREAS, all meetings of EAST KERN HEALTH CARE DISTRICT's legislative bodies are open and public, as required by the Ralph M. Brown Act, (CA Gov. Code 54950-54963), so that any member of the public may attend, participate, and watch the District's legislative bodies conduct their business; and

WHEREAS, the Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code Section 53953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code Section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code Section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District's boundaries, caused by natural, technological, or human-caused disasters; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body meeting in person would present eminent risk to the health and safety of attendees; and

WHEREAS, such conditions now exist in the District, specifically, proclaiming the existence of COVID-19, increases in Kern County and the State of California; and

WHEREAS, meeting in person would present eminent risk to health and safety of attendees; and

WHEREAS, the Board of Directors does hereby find that as COVID-19 cases are on the rise in Kern County has caused, and will continue to cause, conditions of peril to the safety of persons within the District that are likely to be beyond the control of services, personnel, equipment,

and facilities of the District, and desires to proclaim a local emergency and ratify the proclamation of state of emergency by the Governor of the State of California and

WHEREAS, as a consequence of the local emergency, the Board of Directors does hereby find that the legislative bodies of EAST KERN HEALTH CARE DISTRICT shall conduct their meetings without compliance without compliance with paragraph (3) of subdivision (b) of Government Code Section 54953, as authorized by subdivision (e) of Section 54953, and that such legislative body shall comply with the requirements to provide the public with access to the meeting as prescribed in paragraph (2) of subdivision (e) of Section 54953; and

WHEREAS, the District continues to social distance via Zoom meetings, and other means of social distancing, nevertheless allowing unlimited Zoom access to meetings to the public.

SO NOW, THEREFORE, THE BOARD OF DIRECTORS OF EAST KERN HEALTH CARE DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth are true and correct and are incorporated into the Resolution by this reference.

Section 2. Proclamation of Local Emergency. The Board hereby proclaims that a local emergency now exists throughout the District and meeting in person would expose individuals to possible exposure of COVID-19 transmissions.

Section 3. Ratification of Governor’s Proclamation of a State of Emergency. The Board hereby ratifies the Governor of the State of California’s Proclamation of State of Emergency, effective as of its issuance date of November 1, 2021

Section 4. Remote Teleconference Meetings. The Board President, Karen Macedonio and legislative bodies of EAST KERN HEALTH CARE DISTRICT are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including conducting open and public meetings with the Government Code Section 54953 (e) and other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of FEBRUARY 28, 2023, or such time the Board of Directors adopts a subsequent resolution in accordance with Government Code Section 54953 (e)(3) to extend the time during which the legislative bodies of EAST KERN HEALTH CARE DISTRICT may continue to teleconference without compliance with paragraph (3) of subdivision (b) of Section 54953.

PASSED AND ADOPTED by the Board of Directors of EAST KERN HEALTH CARE DISTRICT, on this 7th day of FEBRUARY, 2023, by the following vote:

AYES:

NOS:

ABSENT:

ABSTAIN:

I HEREBY CERTIFY that the foregoing Resolution is the Resolution of said District as duly passed and adopted by said BOARD OF DIRECTORS on this 7th day of FEBRUARY, 2023.

WITNESS by hand and seal of said Board of Directors on this 7th day of FEBRUARY, 2023.

Karen L. Macedonio, President

Rubi Foley, Board Secretary

SEAL:

RESOLUTION NO. 2023-0207-2

**A RESOLUTION OF
THE BOARD OF DIRECTORS OF THE EAST KERN HEALTH CARE DISTRICT
(AGENCY)
CONFIRMING THE NUMBER OF PER DIEM MEETINGS**

WHEREAS, Health & Safety Code, § 32103 permits the Agency Board of Directors to authorize director compensation for up to six meetings per calendar month;

WHEREAS, the Agency Board did meet on October 1, 2019, to amend the Agency Administrative Code at section 2-1.501 for purposes of changing the number of compensable meetings to six (6);

WHEREAS, the Agency Board did meet on October 5, 2021 to approve Resolution 2021-10-021 approving the number of compensable meetings for up to six (6) meetings per month;

NOW, THEREFORE, the Board of Directors of the Agency does hereby resolve, find, determine and order as follows:

The Agency has confirmed and now ratifies its prior amendment of the Agency Administrative Code at section 2-1.501 to read as follows:

"2-1.501 COMPENSATION

- (a) Directors shall be paid \$100.00 for each day's attendance at meetings of the Board or for each day's service rendered as a Director by request of the Board not to exceed six in any calendar month. A Director shall not be compensated for more than one per diem per day even if more than one meeting is attended in one day.

- (b) At least annually, the board shall determine the meetings for which directors shall be compensated. Directors shall be compensated only for meetings approved by the board.”

PASSED, APPROVED, AND ADOPTED this 7th day of February 2023.

Ayes:

Noes:

Absent:

Abstain:

Karen Macedonio, Board President

ATTEST:

APPROVED AS TO FORM

Rubi Foley, Secretary

Alex Lemieux, EKHCD Attorney

SEAL:

**JOINT EXERCISE OF POWERS AGREEMENT
CREATING THE
SOUTH EAST KERN HEALTH COLLABORATIVE**

THIS AGREEMENT, dated as of July 22, 2004 (the "Agreement"), by and between TEHACHAPI VALLEY HEALTHCARE DISTRICT ("Tehachapi") and EAST KERN HEALTHCARE DISTRICT ("East Kern"), each a public instrumentality and political subdivision duly organized and existing under the Constitution and laws of the State of California (the "State"), collectively called the "Members":

WITNESSETH:

WHEREAS, each of the Members is authorized to borrow moneys, lease, purchase, receive and hold property necessary or convenient for the governmental operations of such Member; and

WHEREAS, the acquisition of property by each of the Members acting separately has resulted in duplication of effort, inefficiencies in administration, and excessive costs in the acquisition of such property, all of which, in the judgment of the Members, could be eliminated, to the substantial benefit of the citizens and taxpayers of each of the Members, if the financing of the acquisition of property were to be performed through a single public agency, and such is the purpose of this Joint Exercise of Powers Agreement; and

WHEREAS, public agencies may, pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State (the "Act") form joint exercise of powers authorities to issue bonds for the purpose of financing part or all of the cost of the purchase, construction, expansion, improvement or rehabilitation of any real or tangible property for the Members and, pursuant to Article 4 of the Act, to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing and refinancing for such capital improvements of its Members; and

WHEREAS, the Members propose that the East Kern Health Collaborative (the "Collaborative") be created hereunder and pursuant to the Act, in order to assist in the financing, construction and equipping of public facilities (hereinafter, the "Facilities") for one or both of the Members; and

WHEREAS, the Members wish to specify the procedures and parameters for their operation as a joint exercise of powers authority and for such financings and certain other matters related thereto;

NOW, THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the Members agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the words and terms defined in this Article I shall, for the purpose hereof, have the meanings herein specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State.

“Agreement” means this Joint Exercise of Powers Agreement.

“Auditor and Treasurer” means the auditor-treasurer, designated as Auditor and Treasurer of the Collaborative in Section 3.02.

“Bonds” means any bonds, notes, certificates of participation or other securities or instruments issued or delivered by or on behalf of the Collaborative for the benefit of one or more Members.

“Collaborative” means the South East Kern Health Collaborative created pursuant to this Agreement.

“Chairperson” means the chairperson of the Collaborative.

“Commission” means the Commission referred to in Section 2.04, which shall be the governing body of the Collaborative.

“Commissioners” means, collectively, the representatives of the Members appointed to the Commission pursuant to Section 2.04.

“Fiscal Year” means the period from July 1 to and including the immediately following June 30.

“Members” means, collectively, the parties to this Agreement.

“Public Agency” means any public agency authorized by the Act to enter into a joint exercise of powers agreement with the Members.

“Secretary” means the secretary of the Collaborative.

“State” means the State of California.

“Vice Chairperson” means the vice chairperson of the Collaborative.

ARTICLE II

GENERAL PROVISIONS

Section 2.01. Recitals. The Members agree that the recitals to this Agreement are correct.

Section 2.02. Purpose. This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the Members. The purpose of this Agreement is to provide for the financing of part or all of the costs of the purchase, construction, expansion, improvement or rehabilitation of any real or other tangible property for the Collaborative, to finance the acquisition of Bonds for or of the Members and otherwise to provide financing and refinancing of such capital improvements of the Members.

Section 2.03. Creation of Collaborative. Pursuant to the Act, there is hereby created a public entity to be known as the "South East Kern Health Collaborative." The Collaborative shall be a public entity separate and apart from the Members, and shall administer this Agreement.

Section 2.04. Commission. The Collaborative shall be administered by a Commission of five (5) Commissioners. Initially, the Commissioners shall consist of two (2) Commissioners appointed by Tehachapi and two (2) Commissioners appointed by East Kern; the fifth Commissioner shall be appointed by a majority vote of these four. Such fifth Commissioner may, at the option of the Commission, serve for a specified term of years. The number of Commissioners may be changed by amendment of this Agreement. Commissioners appointed by the Members may, but need not be, elected officials of the Member making the appointment; provided, however, that neither Member shall appoint elected officials as Commissioners hereunder if, by so doing, any provision of the Brown Act with respect to the Member would be violated. Either Member may also provide for the appointment of alternates to serve as Commissioners, in the event that the primary Commissioners, or either of them, may be unavailable; notwithstanding the foregoing, at no time shall either Member seat more than two (2) Commissioners, taking into account any alternates so appointed. The Commission shall be called the "Commission of the South East Kern Health Collaborative." All voting power of the Collaborative shall reside in the Commission.

Each Commissioner shall serve at the pleasure of the Member that appointed such Commissioner; provided that the fifth Commissioner shall serve at the pleasure of the Commission. Vacancies of the first four positions on the Commission shall be filled by the governing boards of the respective appointing Members; a vacancy caused by the resignation or expiration of term of the fifth Commissioner shall be filled by a majority vote of the four Commissioners appointed by the Members.

Section 2.05. Meetings of the Commission.

(a) **Regular Meetings.** The Commission shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Commission and a copy of such resolution shall be filed with each of the Members.

(b) **Special Meetings.** Special meetings of the Commission may be called in accordance with the provisions of Section 54956 of the Government Code of the State.

(c) **Call, Notice and Conduct of Meetings.** All meetings of the Commission, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of Sections 54950 et seq. of the Government Code of the State. Such notices shall, at a minimum, be posted at the Members' principal offices.

Section 2.06. Minutes. The Secretary shall cause to be kept minutes of the meetings of the Commission and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Commissioner and to the clerk or secretary of each of the Members.

Section 2.07. Voting. Each Commissioner shall have one vote.

Section 2.08. Quorum; Required Votes; Approvals. Commissioners holding a majority of the votes shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn or continue meetings from time to time. The affirmative votes of at least a majority of a quorum of the Commissioners shall be required to take any action by the Commission; provided, however, that the Commission shall not take any action or commit to issue any Bonds, except upon a

majority vote of all Commissioners, or to expend any funds which would affect or which would be paid by either Member or by persons owning property within the boundaries of that Member, except upon the affirmative vote of each Commissioner representing that Member.

Section 2.09. Bylaws; Conflicts of Interest. The Commission may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary or advisable for the purposes hereof. The Commission, by resolution, shall adopt a Conflict of Interest Code as required by law.

ARTICLE III

OFFICERS AND EMPLOYEES

Section 3.01. Chairman, Vice-Chairman and Secretary. The Commission shall elect a Chairperson and Vice-Chairperson from among the Commissioners, and shall appoint a Secretary who may, but need not, be a Commissioner. The officers shall perform the duties normal to said offices; and

(a) the Chairperson shall sign all contracts on behalf of the Collaborative, and shall perform such other duties as may be imposed by the Commission; and

(b) the Vice Chairperson shall act, sign contracts and perform all of the Chairperson's duties in the absence of the Chairperson; and

(c) the Secretary shall countersign all contracts signed by the Chairperson or Vice Chairperson on behalf of the Collaborative, perform such other duties as may be imposed by the Commission and cause a copy of this Agreement to be filed with the Secretary of State of the State pursuant to the Act.

Section 3.02. Auditor and Treasurer. The Commission shall appoint an Auditor and Treasurer. The Auditor and Treasurer shall be the depository, shall have the custody of all of the accounts, funds and money of the Collaborative from whatever source, shall have the duties and obligations set forth in Sections 6505 and 6505.5 of the Act and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of the Collaborative. The Auditor and Treasurer shall be empowered to retain consultants and other professionals to perform any or all functions which may be delegated pursuant to the foregoing Sections of the Act, as and when necessary, and at commercially reasonable rates.

Section 3.03. Officers in Charge of Records, Funds and Accounts. Pursuant to Section 6505.1 of the Act, the Auditor and Treasurer shall have charge of, handle and have access to all accounts, funds and money of the Collaborative and all records of the Collaborative relating thereto; and the Secretary shall have charge of, handle and have access to all other records of the Collaborative.

Section 3.04. Legal Advisor and Bond Counsel. The Commission shall have the power to appoint the legal advisor of the Collaborative and Bond Counsel to the Collaborative who shall perform such duties as may be prescribed by the Commission.

Section 3.05. Other Consultants and Employees. The Commission shall have the power to appoint and employ such other consultants and independent contractors as may be necessary for the purposes of this Agreement; provided that, in the case of consultants and contractors to be retained in connection with the issuance of any Bonds by the Collaborative, the Commission shall provide its

proposed list of consultants and contractors to the staff of both Members for review and comment, and shall not retain any firm or person to whom one or both Members shall object in writing.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability workers' compensation and other benefits which apply to the activities of officers, agents, or employees of a Member when performing their respective functions shall apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement.

None of the officers, agents, or employees directly employed by the Commission shall be deemed, by reason of their employment by the Commission, to be employed by any Member or, by reason of their employment by the Commission, to be subject to any of the requirements of the Members.

Section 3.06. Assistant Officers. The Commission may appoint such assistants to act in the place of the Secretary or other officers of the Collaborative (other than any Commissioner) as the Commission shall from time to time deem appropriate.

Section 3.07. Insurance. The Collaborative shall obtain insurance, in amounts and with such deductions as shall be typical for other joint powers authorities in the State of the same type, to cover the following: (a) general liability; and (b) errors and omissions as to Commissioners and employees. Such insurance may be obtained through or under the auspices of either Member.

ARTICLE IV

POWERS

Section 4.01. General Powers. The Collaborative shall exercise in the manner herein provided the powers common to each of the Members and necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04, including but not limited to the common power of eminent domain with respect to public capital facilities.

As provided in the Act, the Collaborative shall be a public entity separate from the Members. The Collaborative shall have the power to finance the purchase, construction, expansion, improvement or rehabilitation of any real or tangible property necessary or convenient for the operation of the Members, or any of them.

Section 4.02. All Powers under Act. The Collaborative shall have all of the powers provided in the Act.

Section 4.03. Specific Powers. The Collaborative is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

- (a) to make and enter into contracts;
- (b) to employ agents or employees;
- (c) to acquire, construct, manage, maintain or operate any buildings, works or improvements;
- (d) to acquire, hold or dispose of public capital facilities;

- (e) to sue and be sued in its own name;
- (f) to incur debts, liabilities or obligations, provided that no debt, liability or obligation shall constitute a debt, liability or obligation of any of the Members;
- (g) to apply for, accept, receive and disburse grants, loans and other aid from any agency of the United States of America or of the State;
- (h) to invest any money in its treasury pursuant to Section 6505.5 of the Act that is not required for the immediate needs of the Collaborative, as the Collaborative determines is advisable, in the same manner and upon the same conditions as may other local agencies, pursuant to Section 53601 of the Government Code of the State;
- (i) to apply for letters of credit in order to secure the repayment of its Bonds and enter into agreements in connection therewith;
- (j) to carry out and enforce all the provisions of this Agreement;
- (k) to purchase or lease real property; and
- (l) to exercise any and all other powers as may be provided in the Act;

provided, however, that none of the foregoing acts involving the expenditure of any funds may be authorized without the affirmative vote of each Commissioner whose Member will be required to contribute moneys towards such expenditure, all in accordance with the provisions of Section 2.08.

Section 4.04. Restrictions on Exercise of Powers. The powers of the Collaborative shall be exercised in the manner provided in the Act, and, except as otherwise set forth in the Act, shall be subject (in accordance with Section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the Members in the exercise of similar powers.

Section 4.05. Obligations of Collaborative. The debts, liabilities and obligations of the Collaborative shall not be the debts, liabilities and obligations of any of the Commissioners or Members.

Section 4.06. No Restrictions on Powers of Members Implied. Notwithstanding anything contained herein to the contrary, the participation by any or all of the Members in the Collaborative shall not have the effect of circumscribing, limiting or restricting in any fashion or manner whatsoever the powers granted to and exercised by each Member as a public entity.

ARTICLE V

MEETINGS AND PROCEDURES; CREDIT TO MEMBERS

Section 5.01. Assumption of Responsibilities by the Collaborative. As soon as practicable after the date of execution of this Agreement, the Commissioners shall give notice (in the manner required by Section 2.05) of the organizational meeting of the Commission. At said meeting the Commission shall provide for its regular meetings as required by Section 2.05 and elect a Chairperson, Vice-Chairperson and the Secretary.

Section 5.02. Delegation of Powers. Each of the Members hereby delegates to the Collaborative the power and duty to acquire by lease, lease-purchase, installment sale agreements, or otherwise, such real or tangible property necessary or convenient for the operation of the Members.

Section 5.03. Credit to Members. All accounts or funds created and established pursuant to any trust agreement or indenture to which the Collaborative is a party, and any interest earned or accrued thereon, shall inure to the benefit of the respective Members for which such funds or accounts were created.

ARTICLE VI

CONTRIBUTIONS; ACCOUNTS AND REPORTS; FUNDS

Section 6.01. Contributions. The Members may in the appropriate circumstances when required hereunder:

- (a) make contributions from their treasuries for the purposes set forth herein,
- (b) make payments of public funds to defray the cost of such purposes,
- (c) make advances of public funds for such purposes, such advances to be repaid as provided herein, or
- (d) use their personnel, equipment or property in lieu of other contributions or advances.

The provisions of Section 6513 of the Government Code of the State are hereby incorporated into this Agreement.

Section 6.02. Costs Incurred in Anticipation of Bond Financing. The Members understand and agree that the Collaborative will, from time to time, need to retain consultants and expend certain moneys in order to prepare for the issuance of Bonds. Otherwise, the Members hereby covenant and agree that they shall contribute sufficient moneys for the payment of fees and expenses incurred in the process in the proportion that each Member shall benefit from the Bonds authorized to be issued, so that a Member which will not be drawing down any proceeds of Bonds will not contribute to the payments of such fees and expenses. Members that make such contributions shall be entitled to the reimbursement of such contribution from the net proceeds of sale of the related issue of Bonds.

Section 6.03. Accounts and Reports. To the extent not covered by the duties assigned to a trustee chosen by the Collaborative, the Auditor and Treasurer of Collaborative shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any fiscal agency or trust agreement or indenture entered into with respect to the proceeds of any Bonds issued by the Collaborative. The books and records of the Collaborative in the hands of a trustee or the Auditor and Treasurer shall be open to inspection at all reasonable times by representatives of the Members. The Auditor and Treasurer of the Collaborative, within 120 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to the Members to the extent such activities are not covered by the report of such trustee. The trustee appointed under any fiscal agency or trust agreement or indenture shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said fiscal agency or trust agreement or indenture. Said trustee may be given such duties in said trust agreement or indenture as may be desirable to carry out this Agreement.

Section 6.04. Funds. Subject to the applicable provisions of any fiscal agency or trust agreement or indenture which the Collaborative may enter into, which may provide for a trustee to receive, have custody of and disburse Collaborative funds, the Auditor and Treasurer of the Collaborative shall receive, have the custody of and disburse Collaborative funds as nearly as possible in accordance with generally accepted accounting practices, shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

Section 6.05. Annual Budget and Administrative Expenses. The Commission shall adopt a budget for administrative expenses, which shall include all expenses not included in any Bond issue of the Collaborative, annually prior to July 1 of each year. The estimated annual administrative expenses of the Collaborative shall be allocated by the Collaborative to the Members equally.

Section 6.06. Indemnification. The Collaborative shall indemnify, defend and save harmless the Members, their officers, agents and employees, from and against any and all claims and losses whatsoever occurring or resulting to persons, firms, corporations or other entities furnishing or supplying work, services, materials or supplies to the Collaborative in connection with the performance of this Agreement, and, except as expressly provided by law, from any and all claims and losses accruing or resulting to any person, firm, corporation or other entity, for damage, injury or death arising out of or connected with the Collaborative's or its officers', agents' or employees' acts or omissions under this Agreement.

ARTICLE VII

MEMBERSHIP AGREEMENTS

Section 7.01. Power to Enter into Membership Agreements. In addition to those powers specified in this Agreement, the Collaborative shall have the power to enter into Membership Agreements with any Public Agency upon the approval thereof by four-fifths of the Commissioners.

Section 7.02. Contents of Membership Agreements. Each Membership Agreement shall:

- (a) State that the Public Agency is a Member of the Collaborative;
- (b) Specify that the purpose of the Membership Agreement is to facilitate the financing of the purchase, construction, expansion, improvement or rehabilitation by the Public Agency of capital facilities necessary for the governmental operation of the Public Agency at a cost (taking into account the cost of such financing) which is less than would be possible if the Public Agency were to acquire the capital facilities independently of the Collaborative;
- (c) Specify the fees, if any, to be charged the Public Agency for its participation in financings of the Collaborative.

Section 7.03. Approval of Membership Agreements. In determining whether to approve a Membership Agreement with a Public Agency which proposes to be a Member, the Commissioners may take into account any criteria deemed appropriate to the Commissioners, including but not limited to the financial well-being of such Public Agency and the nature of the public capital facility or the working capital requirements which such Public Agency proposes to finance.

ARTICLE VIII

TERM

Section 8.01. Term. This agreement shall become effective as of the date of execution hereof by the Members, and shall continue in full force and effect until terminated by action of the governing body of one or both Members; provided, however, that this Agreement shall not terminate so long as any obligations of the Members and any Bonds issued pursuant hereto and the interest thereon shall not have been paid in full or adequate provision for such payment shall not have been made as set forth in the proceedings for the issuance thereof; provided, further that this Agreement shall terminate and the Collaborative shall be dissolved five (5) years from the date hereof in the event no bonds shall have been issued by the Collaborative on or before said date under the Bond law, or upon the earlier vote of the Commissioners.

Section 8.02. Disposition of Assets. Upon termination of this Agreement, all property of the Collaborative, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

Section 8.03. Withdrawal of Members. At any time prior to the issuance of Bonds for the benefit of a Member, that Member may withdraw from the Collaborative, so long as no fewer than two Members shall participate in the Collaborative.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Notices. Notices to the Members hereunder shall be in writing and shall be sufficient if delivered to:

Tehachapi Valley Healthcare District
ATTN: Chief Executive Officer
P. O. Box 1900
Tehachapi, CA 93581-1900

East Kern Healthcare District
ATTN: Administrator
P.O. Box 2546
California City, CA 93505

Section 9.02. Section Headings. All section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing the language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 9.03. Consent. Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 9.04. Law Governing. This Agreement is made in the State under the Constitution and laws of the State and such laws, as are applicable to contracts made and performed in the State, shall govern the interpretation and administration hereof.

Section 9.05. Amendments. This Agreement may be amended at any time, or from time to time, except as limited by contract with the holders of Bonds issued by the Collaborative or certificates of participation in payments to be made by the Collaborative or the Members or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including without limitation addition of new parties (including any legal entities or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 9.06. Enforcement of Agreement. The Collaborative is hereby authorized to take any and all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement. Venue shall be in the Superior Court of the County of Kern, California.

Section 9.07. Severability. Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 9.08. Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors of the respective Members. None of the Members may assign any right or obligation hereunder without the written consent of the other Members.

Section 9.09. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

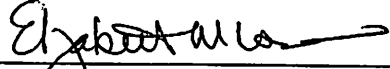
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized and their official seals to be hereto affixed, on the day and year set opposite the name of each of the parties.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

Executed: 7-27, 2004

By: 
Pete Sturn, President

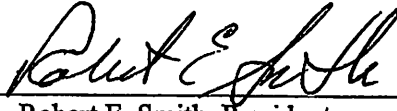
ATTEST:

By: 
Elizabeth Lask, Secretary

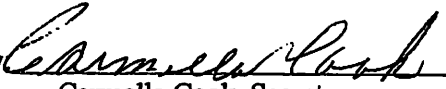
[Seal]

EAST KERN HEALTHCARE DISTRICT

Executed: July 22 2004

By: 
Robert E. Smith, President

ATTEST:

By: 
Carmella Cook, Secretary

[Seal]

APPROVED AS TO FORM:

By: 
District Counsel

**JOINT EXERCISE OF POWERS AGREEMENT
CREATING THE
QUAD HEALTHCARE CONSORTIUM**

THIS AGREEMENT, dated as of _____, 2004 (the "Agreement"), by and between TEHACHAPI VALLEY HEALTHCARE DISTRICT ("Tehachapi") and EAST KERN HEALTHCARE DISTRICT ("East Kern"), each a public instrumentality and political subdivision duly organized and existing under the Constitution and laws of the State of California (the "State"), collectively called the "Members":

WITNESSETH:

WHEREAS, each of the Members is authorized to borrow moneys, lease, purchase, receive and hold property necessary or convenient for the governmental operations of such Member; and

WHEREAS, the acquisition of property by each of the Members acting separately has resulted in duplication of effort, inefficiencies in administration, and excessive costs in the acquisition of such property, all of which, in the judgment of the Members, could be eliminated, to the substantial benefit of the citizens and taxpayers of each of the Members, if the financing of the acquisition of property were to be performed through a single public agency, and such is the purpose of this Joint Exercise of Powers Agreement; and

WHEREAS, public agencies may, pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State (the "Act") form joint exercise of powers authorities to issue bonds for the purpose of financing part or all of the cost of the purchase, construction, expansion, improvement or rehabilitation of any real or tangible property for the Members and, pursuant to Article 4 of the Act, to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing and refinancing for such capital improvements of its Members; and

WHEREAS, the Members propose that the Quad Healthcare Consortium (the "Consortium") be created hereunder and pursuant to the Act, in order to assist in the financing, construction and equipping of public facilities (hereinafter, the "Facilities") for one or both of the Members; and

WHEREAS, the Members wish to specify the procedures and parameters for their operation as a joint exercise of powers authority and for such financings and certain other matters related thereto;

NOW, THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the Members agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the words and terms defined in this Article I shall, for the purpose hereof, have the meanings herein specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State.

“Agreement” means this Joint Exercise of Powers Agreement.

“Auditor and Treasurer” means the auditor-treasurer, designated as Auditor and Treasurer of the Consortium in Section 3.02.

“Bonds” means any bonds, notes, certificates of participation or other securities or instruments issued or delivered by or on behalf of the Consortium for the benefit of one or more Members.

“Consortium” means the Quad Healthcare Consortium created pursuant to this Agreement.

“Chairperson” means the chairperson of the Consortium.

“Commission” means the Commission referred to in Section 2.04, which shall be the governing body of the Consortium.

“Commissioners” means, collectively, the representatives of the Members appointed to the Commission pursuant to Section 2.04.

“Fiscal Year” means the period from July 1 to and including the immediately following June 30.

“Members” means, collectively, the parties to this Agreement.

“Public Agency” means any public agency authorized by the Act to enter into a joint exercise of powers agreement with the Members.

“Secretary” means the secretary of the Consortium.

“State” means the State of California.

“Vice Chairperson” means the vice chairperson of the Consortium.

ARTICLE II

GENERAL PROVISIONS

Section 2.01. Recitals. The Members agree that the recitals to this Agreement are correct.

Section 2.02. Purpose. This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the Members. The purpose of this Agreement is to provide for the financing of part or all of the costs of the purchase, construction, expansion, improvement or rehabilitation of any real or other tangible property for the Consortium, to finance the acquisition of Bonds for or of the Members and otherwise to provide financing and refinancing of such capital improvements of the Members.

Section 2.03. Creation of Consortium. Pursuant to the Act, there is hereby created a public entity to be known as the “Quad Healthcare Consortium.” The Consortium shall be a public entity separate and apart from the Members, and shall administer this Agreement.

Section 2.04. Commission. The Consortium shall be administered by a Commission of five (5) Commissioners. Initially, the Commissioners shall consist of two (2) Commissioners appointed by Tehachapi and two (2) Commissioners appointed by East Kern; the fifth Commissioner shall be appointed by a majority vote of these four. Such fifth Commissioner may, at the option of the Commission, serve for a specified term of years. The number of Commissioners may be changed by amendment of this Agreement. Commissioners appointed by the Members may, but need not be, elected officials of the Member making the appointment; provided, however, that neither Member shall appoint elected officials as Commissioners hereunder if, by so doing, any provision of the Brown Act with respect to the Member would be violated. Either Member may also provide for the appointment of alternates to serve as Commissioners, in the event that the primary Commissioners, or either of them, may be unavailable; notwithstanding the foregoing, at no time shall either Member seat more than two (2) Commissioners, taking into account any alternates so appointed. The Commission shall be called the "Commission of the South East Kern Health Consortium." All voting power of the Consortium shall reside in the Commission.

Each Commissioner shall serve at the pleasure of the Member that appointed such Commissioner; provided that the fifth Commissioner shall serve at the pleasure of the Commission. Vacancies of the first four positions on the Commission shall be filled by the governing boards of the respective appointing Members; a vacancy caused by the resignation or expiration of term of the fifth Commissioner shall be filled by a majority vote of the four Commissioners appointed by the Members.

Section 2.05. Meetings of the Commission.

(a) **Regular Meetings.** The Commission shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Commission and a copy of such resolution shall be filed with each of the Members.

(b) **Special Meetings.** Special meetings of the Commission may be called in accordance with the provisions of Section 54956 of the Government Code of the State.

(c) **Call, Notice and Conduct of Meetings.** All meetings of the Commission, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of Sections 54950 et seq. of the Government Code of the State. Such notices shall, at a minimum, be posted at the Members' principal offices.

Section 2.06. Minutes. The Secretary shall cause to be kept minutes of the meetings of the Commission and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Commissioner and to the clerk or secretary of each of the Members.

Section 2.07. Voting. Each Commissioner shall have one vote.

Section 2.08. Quorum; Required Votes; Approvals. Commissioners holding a majority of the votes shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn or continue meetings from time to time. The affirmative votes of at least a majority of a quorum of the Commissioners shall be required to take any action by the Commission; provided, however, that the Commission shall not take any action or commit to issue any Bonds, except upon a majority vote of all Commissioners, or to expend any funds which would affect or which would be paid by either Member or by persons owning property within the boundaries of that Member, except upon the affirmative vote of each Commissioner representing that Member.

Section 2.09. Bylaws; Conflicts of Interest. The Commission may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary or advisable for the purposes hereof. The Commission, by resolution, shall adopt a Conflict of Interest Code as required by law.

ARTICLE III

OFFICERS AND EMPLOYEES

Section 3.01. Chairman, Vice-Chairman and Secretary. The Commission shall elect a Chairperson and Vice-Chairperson from among the Commissioners, and shall appoint a Secretary who may, but need not, be a Commissioner. The officers shall perform the duties normal to said offices; and

(a) the Chairperson shall sign all contracts on behalf of the Consortium, and shall perform such other duties as may be imposed by the Commission; and

(b) the Vice Chairperson shall act, sign contracts and perform all of the Chairperson's duties in the absence of the Chairperson; and

(c) the Secretary shall countersign all contracts signed by the Chairperson or Vice Chairperson on behalf of the Consortium, perform such other duties as may be imposed by the Commission and cause a copy of this Agreement to be filed with the Secretary of State of the State pursuant to the Act.

Section 3.02. Auditor and Treasurer. The Commission shall appoint an Auditor and Treasurer. The Auditor and Treasurer shall be the depository, shall have the custody of all of the accounts, funds and money of the Consortium from whatever source, shall have the duties and obligations set forth in Sections 6505 and 6505.5 of the Act and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of the Consortium. The Auditor and Treasurer shall be empowered to retain consultants and other professionals to perform any or all functions which may be delegated pursuant to the foregoing Sections of the Act, as and when necessary, and at commercially reasonable rates.

Section 3.03. Officers in Charge of Records, Funds and Accounts. Pursuant to Section 6505.1 of the Act, the Auditor and Treasurer shall have charge of, handle and have access to all accounts, funds and money of the Consortium and all records of the Consortium relating thereto; and the Secretary shall have charge of, handle and have access to all other records of the Consortium.

Section 3.04. Legal Advisor and Bond Counsel. The Commission shall have the power to appoint the legal advisor of the Consortium and Bond Counsel to the Consortium who shall perform such duties as may be prescribed by the Commission.

Section 3.05. Other Consultants and Employees. The Commission shall have the power to appoint and employ such other consultants and independent contractors as may be necessary for the purposes of this Agreement; provided that, in the case of consultants and contractors to be retained in connection with the issuance of any Bonds by the Consortium, the Commission shall provide its proposed list of consultants and contractors to the staff of both Members for review and comment, and shall not retain any firm or person to whom one or both Members shall object in writing.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability workers' compensation and other benefits which apply to the activities

of officers, agents, or employees of a Member when performing their respective functions shall apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement.

None of the officers, agents, or employees directly employed by the Commission shall be deemed, by reason of their employment by the Commission, to be employed by any Member or, by reason of their employment by the Commission, to be subject to any of the requirements of the Members.

Section 3.06. Assistant Officers. The Commission may appoint such assistants to act in the place of the Secretary or other officers of the Consortium (other than any Commissioner) as the Commission shall from time to time deem appropriate.

Section 3.07. Insurance. The Consortium shall obtain insurance, in amounts and with such deductions as shall be typical for other joint powers authorities in the State of the same type, to cover the following: (a) general liability; and (b) errors and omissions as to Commissioners and employees. Such insurance may be obtained through or under the auspices of either Member.

ARTICLE IV

POWERS

Section 4.01. General Powers. The Consortium shall exercise in the manner herein provided the powers common to each of the Members and necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04, including but not limited to the common power of eminent domain with respect to public capital facilities.

As provided in the Act, the Consortium shall be a public entity separate from the Members. The Consortium shall have the power to finance the purchase, construction, expansion, improvement or rehabilitation of any real or tangible property necessary or convenient for the operation of the Members, or any of them.

Section 4.02. All Powers under Act. The Consortium shall have all of the powers provided in the Act.

Section 4.03. Specific Powers. The Consortium is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

- (a) to make and enter into contracts;
- (b) to employ agents or employees;
- (c) to acquire, construct, manage, maintain or operate any buildings, works or improvements;
- (d) to acquire, hold or dispose of public capital facilities;
- (e) to sue and be sued in its own name;
- (f) to incur debts, liabilities or obligations, provided that no debt, liability or obligation shall constitute a debt, liability or obligation of any of the Members;

(g) to apply for, accept, receive and disburse grants, loans and other aid from any agency of the United States of America or of the State;

(h) to invest any money in its treasury pursuant to Section 6505.5 of the Act that is not required for the immediate needs of the Consortium, as the Consortium determines is advisable, in the same manner and upon the same conditions as may other local agencies, pursuant to Section 53601 of the Government Code of the State;

(i) to apply for letters of credit in order to secure the repayment of its Bonds and enter into agreements in connection therewith;

(j) to carry out and enforce all the provisions of this Agreement;

(k) to purchase or lease real property; and

(l) to exercise any and all other powers as may be provided in the Act;

provided, however, that none of the foregoing acts involving the expenditure of any funds may be authorized without the affirmative vote of each Commissioner whose Member will be required to contribute moneys towards such expenditure, all in accordance with the provisions of Section 2.08.

Section 4.04. Restrictions on Exercise of Powers. The powers of the Consortium shall be exercised in the manner provided in the Act, and, except as otherwise set forth in the Act, shall be subject (in accordance with Section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the Members in the exercise of similar powers.

Section 4.05. Obligations of Consortium. The debts, liabilities and obligations of the Consortium shall not be the debts, liabilities and obligations of any of the Commissioners or Members.

Section 4.06. No Restrictions on Powers of Members Implied. Notwithstanding anything contained herein to the contrary, the participation by any or all of the Members in the Consortium shall not have the effect of circumscribing, limiting or restricting in any fashion or manner whatsoever the powers granted to and exercised by each Member as a public entity.

ARTICLE V

MEETINGS AND PROCEDURES; CREDIT TO MEMBERS

Section 5.01. Assumption of Responsibilities by the Consortium. As soon as practicable after the date of execution of this Agreement, the Commissioners shall give notice (in the manner required by Section 2.05) of the organizational meeting of the Commission. At said meeting the Commission shall provide for its regular meetings as required by Section 2.05 and elect a Chairperson, Vice-Chairperson and the Secretary.

Section 5.02. Delegation of Powers. Each of the Members hereby delegates to the Consortium the power and duty to acquire by lease, lease-purchase, installment sale agreements, or otherwise, such real or tangible property necessary or convenient for the operation of the Members.

Section 5.03. Credit to Members. All accounts or funds created and established pursuant to any trust agreement or indenture to which the Consortium is a party, and any interest earned

or accrued thereon, shall inure to the benefit of the respective Members for which such funds or accounts were created.

ARTICLE VI

CONTRIBUTIONS; ACCOUNTS AND REPORTS; FUNDS

Section 6.01. Contributions. The Members may in the appropriate circumstances when required hereunder:

- (a) make contributions from their treasuries for the purposes set forth herein,
- (b) make payments of public funds to defray the cost of such purposes,
- (c) make advances of public funds for such purposes, such advances to be repaid as provided herein, or
- (d) use their personnel, equipment or property in lieu of other contributions or advances.

The provisions of Section 6513 of the Government Code of the State are hereby incorporated into this Agreement.

Section 6.02. Costs Incurred in Anticipation of Bond Financing. The Members understand and agree that the Consortium will, from time to time, need to retain consultants and expend certain moneys in order to prepare for the issuance of Bonds. Otherwise, the Members hereby covenant and agree that they shall contribute sufficient moneys for the payment of fees and expenses incurred in the process in the proportion that each Member shall benefit from the Bonds authorized to be issued, so that a Member which will not be drawing down any proceeds of Bonds will not contribute to the payments of such fees and expenses. Members that make such contributions shall be entitled to the reimbursement of such contribution from the net proceeds of sale of the related issue of Bonds.

Section 6.03. Accounts and Reports. To the extent not covered by the duties assigned to a trustee chosen by the Consortium, the Auditor and Treasurer of Consortium shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any fiscal agency or trust agreement or indenture entered into with respect to the proceeds of any Bonds issued by the Consortium. The books and records of the Consortium in the hands of a trustee or the Auditor and Treasurer shall be open to inspection at all reasonable times by representatives of the Members. The Auditor and Treasurer of the Consortium, within 120 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to the Members to the extent such activities are not covered by the report of such trustee. The trustee appointed under any fiscal agency or trust agreement or indenture shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said fiscal agency or trust agreement or indenture. Said trustee may be given such duties in said trust agreement or indenture as may be desirable to carry out this Agreement.

Section 6.04. Funds. Subject to the applicable provisions of any fiscal agency or trust agreement or indenture which the Consortium may enter into, which may provide for a trustee to receive, have custody of and disburse Consortium funds, the Auditor and Treasurer of the Consortium shall receive, have the custody of and disburse Consortium funds as nearly as possible in accordance with

generally accepted accounting practices, shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

Section 6.05. Annual Budget and Administrative Expenses. The Commission shall adopt a budget for administrative expenses, which shall include all expenses not included in any Bond issue of the Consortium, annually prior to July 1 of each year. The estimated annual administrative expenses of the Consortium shall be allocated by the Consortium to the Members equally.

Section 6.06. Indemnification. The Consortium shall indemnify, defend and save harmless the Members, their officers, agents and employees, from and against any and all claims and losses whatsoever occurring or resulting to persons, firms, corporations or other entities furnishing or supplying work, services, materials or supplies to the Consortium in connection with the performance of this Agreement, and, except as expressly provided by law, from any and all claims and losses accruing or resulting to any person, firm, corporation or other entity, for damage, injury or death arising out of or connected with the Consortium's or its officers', agents' or employees' acts or omissions under this Agreement.

ARTICLE VII

MEMBERSHIP AGREEMENTS

Section 7.01. Power to Enter into Membership Agreements. In addition to those powers specified in this Agreement, the Consortium shall have the power to enter into Membership Agreements with any Public Agency upon the approval thereof by four-fifths of the Commissioners.

Section 7.02. Contents of Membership Agreements. Each Membership Agreement shall:

- (a) State that the Public Agency is a Member of the Consortium;
- (b) Specify that the purpose of the Membership Agreement is to facilitate the financing of the purchase, construction, expansion, improvement or rehabilitation by the Public Agency of capital facilities necessary for the governmental operation of the Public Agency at a cost (taking into account the cost of such financing) which is less than would be possible if the Public Agency were to acquire the capital facilities independently of the Consortium;
- (c) Specify the fees, if any, to be charged the Public Agency for its participation in financings of the Consortium.

Section 7.03. Approval of Membership Agreements. In determining whether to approve a Membership Agreement with a Public Agency which proposes to be a Member, the Commissioners may take into account any criteria deemed appropriate to the Commissioners, including but not limited to the financial well-being of such Public Agency and the nature of the public capital facility or the working capital requirements which such Public Agency proposes to finance.

ARTICLE VIII

TERM

Section 8.01. Term. This agreement shall become effective as of the date of execution hereof by the Members, and shall continue in full force and effect until terminated by action of the

governing body of one or both Members; provided, however, that this Agreement shall not terminate so long as any obligations of the Members and any Bonds issued pursuant hereto and the interest thereon shall not have been paid in full or adequate provision for such payment shall not have been made as set forth in the proceedings for the issuance thereof; provided, further that this Agreement shall terminate and the Consortium shall be dissolved five (5) years from the date hereof in the event no bonds shall have been issued by the Consortium on or before said date under the Bond law, or upon the earlier vote of the Commissioners.

Section 8.02. Disposition of Assets. Upon termination of this Agreement, all property of the Consortium, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

Section 8.03. Withdrawal of Members. At any time prior to the issuance of Bonds for the benefit of a Member, that Member may withdraw from the Consortium, so long as no fewer than two Members shall participate in the Consortium.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Notices. Notices to the District hereunder shall be in writing and shall be sufficient if delivered to:

Tehachapi Valley Healthcare District
ATTN: Chief Executive Officer
P. O. Box 1900
Tehachapi, CA 93581-1900

Notices to the Members shall be given as follows:

East Kern Healthcare District
ATTN: Administrator
P.O. Box 2546
California City, CA 93505

Section 9.02. Section Headings. All section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing the language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 9.03. Consent. Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 9.04. Law Governing. This Agreement is made in the State under the Constitution and laws of the State and such laws, as are applicable to contracts made and performed in the State, shall govern the interpretation and administration hereof.

Section 9.05. Amendments. This Agreement may be amended at any time, or from time to time, except as limited by contract with the holders of Bonds issued by the Consortium or certificates of participation in payments to be made by the Consortium or the Members or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including without limitation addition of new

parties (including any legal entities or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 9.06. Enforcement of Agreement. The Consortium is hereby authorized to take any and all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement. Venue shall be in the Superior Court of the County of Kern, California.

Section 9.07. Severability. Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 9.08. Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors of the respective Members. None of the Members may assign any right or obligation hereunder without the written consent of the other Members.

Section 9.09. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized and their official seals to be hereto affixed, on the day and year set opposite the name of each of the parties.

**TEHACHAPI VALLEY HEALTHCARE
DISTRICT**

Executed: _____, 2004

By: _____
Pete Sturn, President

ATTEST:

By: _____
Elizabeth Lask, Secretary

[Seal]

APPROVED AS TO FORM:

By: _____
District Counsel

EAST KERN HEALTHCARE DISTRICT

Executed: _____, 2004

By: _____
Robert E. Smith, President

ATTEST:

By: _____
Carmella Cook, Secretary

[Seal]

APPROVED AS TO FORM:

By: _____
District Counsel