

Audited Financial Statements

**SELMA
HEALTHCARE DISTRICT**

June 30, 2023 and 2022

Audited Financial Statements

SELMA HEALTHCARE DISTRICT

June 30, 2023

Report of Independent Auditors	1
Management’s Discussion and Analysis	4
Audited Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Independent Auditor’s Report on Internal Controls	15

JWT & Associates, LLP

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Report of Independent Auditors

The Board of Directors
Selma Healthcare District
Selma, California

We have audited the accompanying financial statements of the Selma Healthcare District, (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

JW7 & Associates, LLP

Fresno, California
October 15, 2023

Management's Discussion and Analysis

SELMA HEALTHCARE DISTRICT

June 30, 2023

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

Overview of Selma Healthcare District's Financial Statements

This annual report consists of the audited financial statements and the notes to the financial statements which reflect the District's financial position and operating results for the fiscal years ended June 30, 2023 and June 30, 2022. The audited financial statements include the report of the independent auditors, statements of financial position, statements of revenues, expenses and changes in net position, and statements of cash flows. They also include notes to the financial statements.

- The statements of net position include all of the District's assets and liabilities based on the accrual method of accounting for the years ended June 30, 2023 and June 30, 2022.
- The statements of revenues, expenses and changes in net position present the operating activities of the District during the fiscal years ended June 30, 2023 and June 30, 2022.
- The statements of cash flows report the net cash provided by operating activities as well as other sources and uses of cash from various District financial activities.

Financial Summary for the Year

- Total assets increased by \$121,253 from the prior fiscal year.
- Total operating cash and cash equivalents increased by \$207,013 over the prior year.
- Receivables decreased by \$85,960, mostly related to district taxes due from Fresno County
- Current liabilities decreased by \$3,170 from the prior fiscal year.

Management's Discussion and Analysis (continued)

SELMA HEALTHCARE DISTRICT

- Operating expenses decreased by \$47,630 from the previous year while revenues increased by \$14,194.
- The increase in net position was \$124,423 for 2023 as compared to \$62,599 in 2022.

Financial Analysis of the District for the Year Ended June 30, 2023

A summary of the District's net assets for 2023, 2022 and 2021 as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets (000's)			
Cash and equivalents	\$ 484	\$ 277	\$ 211
Other assets	<u>18</u>	<u>103</u>	<u>103</u>
Total	<u>\$ 502</u>	<u>\$ 380</u>	<u>\$ 314</u>
Liabilities (000's)			
Current liabilities	<u>\$</u>	<u>\$ 3</u>	<u>\$</u>
Total liabilities		3	
Net position (000's)			
Unrestricted	<u>502</u>	<u>377</u>	<u>314</u>
Total net position	<u>502</u>	<u>377</u>	<u>314</u>
Total	<u>\$ 502</u>	<u>\$ 380</u>	<u>\$ 314</u>

Cash and Investments

For the fiscal year ended June 30, 2023, the District's operating cash and cash equivalents totaled \$483,824 as compared to \$276,811 in the prior fiscal year. At June 30, 2023, days cash on hand were 1,887.90 as compared to the prior year of 715.70. The majority of the District's cash is deposited with local banks and in other short-term money market accounts to maintain liquidity.

Management's Discussion and Analysis (continued)

SELMA HEALTHCARE DISTRICT

Current Liabilities

As previously noted, current liabilities of the District decreased by \$3,170. The District's goal is to maintain sufficient cash flow to sustain operations.

Revenues and Expenses for the year ended June 30, 2023, 2022 and 2021

The following shows the revenues, (expenses) and increase (decrease) in net position for 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues (000's)			
Property tax revenues	\$ 218	\$ 203	\$ 200
Other operating revenues	<u> </u>	<u>1</u>	<u>1</u>
Total operating revenues	218	204	201
Operating expenses (000's)			
Contributions to community organizations	33	100	58
Services and supplies	61	41	38
Community outreach and marketing	<u> </u>	<u> </u>	<u>11</u>
Total operating expenses	<u>94</u>	<u>141</u>	<u>107</u>
Increase (decrease) in net position	<u><u>\$ 124</u></u>	<u><u>\$ 63</u></u>	<u><u>\$ 94</u></u>

Operating Expenses

Total operating expenses were \$93,541 for the current fiscal year compared to \$141,171 for the prior fiscal year. Changes were as follows:

- A \$66,513 decrease in donations to community organizations for the year.
- A \$730 decrease in professional fees.
- A \$19,613 increase in other administrative expenses.

Management's Discussion and Analysis (continued)

SELMA HEALTHCARE DISTRICT

Next Year's Budget and Operating Goals

The District's Board approved the budget for the fiscal year ending June 30, 2024 at a recent board meeting. For fiscal year 2024, the District is budgeted to conservatively decrease its net position. This decrease is due to a slight increase in parcel tax revenues coupled with added expenses related to community organization donations in 2024.

As always, the District board members are happy to talk about specifics as questions may arise. All District meetings and transaction documents are made public on the District's website.

Statements of Net Position

SELMA HEALTHCARE DISTRICT

	June 30	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 483,824	\$ 276,811
District tax receivable	17,491	102,976
Other receivables		475
Total assets	<u>501,515</u>	<u>380,262</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ <u> </u>	\$ 3,170
Total liabilities		3,170
Net position:		
Unrestricted	<u>501,515</u>	<u>377,092</u>
Total net position	<u>501,515</u>	<u>377,092</u>
Total liabilities and net position	<u>\$ 501,515</u>	<u>\$ 380,262</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

SELMA HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Revenues		
District tax revenues	\$ 217,964	\$ 202,799
Interest income		971
Total revenues	<u>217,964</u>	<u>203,770</u>
Expenses		
Donations to community organizations	33,235	99,748
Professional fees	30,569	31,299
Other administrative expenses	29,737	10,124
Community outreach and marketing		
Total operating expenses	<u>93,541</u>	<u>141,171</u>
Increase in net position	124,423	62,599
Net position at beginning of the year	<u>377,092</u>	<u>314,493</u>
Net position at end of the year	<u>\$ 501,515</u>	<u>\$ 377,092</u>

See accompanying notes and auditor's report

Statements of Cash Flows

SELMA HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from operations	\$ 303,924	\$ 203,679
Cash payments to suppliers and contractors	<u>(96,711)</u>	<u>(138,001)</u>
Net cash provided by operating activities	<u>207,213</u>	<u>65,678</u>
Net increase (decrease) in cash and cash equivalents	207,213	65,678
Cash and cash equivalents at beginning of year	<u>276,811</u>	<u>211,133</u>
Cash and cash equivalents at end of year	<u><u>\$ 483,824</u></u>	<u><u>\$ 276,811</u></u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 124,423	\$ 62,599
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Property taxes receivable	85,485	384
Interest receivable	475	(475)
Accounts payable and accrued expenses	<u>(3,170)</u>	<u>3,170</u>
Net cash provided by operating activities	<u><u>\$ 207,213</u></u>	<u><u>\$ 65,678</u></u>

See accompanying notes and auditor's report

SELMA HEALTHCARE DISTRICT

June 30, 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Selma Healthcare District (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to state or federal income taxes. The District is governed by a five-member board of directors who are elected to specific terms. The District, located in Selma, California, formerly owned and operated Selma District Hospital (the Hospital), now operated by Adventist Health, provides community outreach programs related to healthcare issues for residents with the District boundaries and surrounding areas.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

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

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

Risk Management: Commercial insurance is generally purchased to cover the District against various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accidental benefits. Settled claims have not exceeded this commercial coverage in any of the two preceding years.

Notes to Financial Statements (continued)

SELMA HEALTHCARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Cash Flows: For purposes of the statements of cash flows, all highly liquid investments with original maturities of three months or less and demand deposits are considered to be cash equivalents.

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

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

The third category is “unrestricted” net position. This category consists of net position that does not meet the definition or criteria of the previous two categories. When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

District Tax Revenues: The District receives approximately 99% of its financial support from property taxes. These funds are used to support operations of the District. They are classified as operating revenue as the revenue is directly linked to District services. Property taxes are levied by the County on the District’s behalf on July 1st of each year, and are intended to help finance the District’s activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date. Those dates are: (1) lien date of January 1; (2) due dates of November 1 and February 1; and (3) delinquent dates of December 10 and April 10. Management determined that levied amounts not yet received, and which are intended for the District’s future use, should be recorded as deferred inflows of resources.

SELMA HEALTHCARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2023 and 2022, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$483,824 and \$276,811, respectively. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

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

Notes to Financial Statements (continued)

SELMA HEALTHCARE DISTRICT

NOTE C - CONCENTRATION OF CREDIT RISK

Financial Instruments: Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. As of June 30, 2023 and 2022 the District has one account which exceed the FDIC limits, however, management believes that any risk of loss is minimal due to the high financial quality of the bank with which the District does business.

NOTE D - RECEIVABLES

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

	<u>2023</u>	<u>2022</u>
Interest receivable due from Fresno County		\$ 475
Due from Fresno County for district taxes	\$ 17,491	<u>102,976</u>
	<u>\$ 17,491</u>	<u>\$ 103,451</u>

NOTE E - COMMITMENTS AND CONTINGENCIES

Litigation: From time-to-time, the District may be involved in certain litigation which may have arisen in the normal course of business. After consultation with legal counsel, management has determined that there is no need to have recorded any possible losses as a result of any legal proceedings, and estimates that matters that may be existing as of June 30, 2023 will be resolved without any significant material adverse effect on the District's future net position, results from operations or cash flows.

NOTE F - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through October 15, 2023, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

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Voice: (559) 431-7708 Fax: (559) 431-7685

Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Selma Healthcare District
Selma, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Selma Healthcare District (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 15, 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 that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

GW & Associates, LLP

Fresno, California

October 15, 2023