October 20, 2023

NOTICE

The Kaweah Delta Health Care District Board of Directors will meet in a Special Audit and Compliance Committee meeting at 8:00 AM on Monday, October 23, 2023 in the Kaweah Health Support Services Building - Emerald Conference Room {520 W. Mineral King Ave., Visalia}.

All Kaweah Delta Health Care District regular board and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Health Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page https://www.kaweahhealth.org.

KAWEAH DELTA HEALTH CARE DISTRICT
Michael Olmos, Secretary/Treasurer

Cindy Moccio

Cindy Moccio
Board Clerk
Executive Assistant to CEO

DISTRIBUTION:
Governing Board
Legal Counsel
Executive Team
Chief of Staff
http://www.kaweahhealth.org/about/agenda.asp

KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS
SPECIAL AUDIT AND COMPLIANCE COMMITTEE

Monday, October 23, 2023

Kaweah Health Support Services Building, Emerald Conference Room
520 West Mineral King Ave, Visalia, CA 93291

ATTENDING: Directors; Mike Olmos (Chair) & Garth Gipson; Gary Herbst, Chief Executive Officer; Malinda Tupper, Rachele Berglund, Legal Counsel; Ben Cripps, Chief Compliance & Risk Officer; Michelle Adams, Executive Assistant

GUESTS: Jennifer Stockton, Director of Finance; Kari MacDonald, Finance Accounting & Reimbursement Manager; John Feneis, Moss Adams; Brian Conner, Moss Adams

OPEN MEETING – 8:00AM

Call to order – *Mike Olmos, Audit and Compliance Committee Chair*

Public / Medical Staff participation – Members of the public wishing to address the Committee concerning items not on the agenda and within the subject matter jurisdiction of the Committee may step forward and are requested to identify themselves at this time. Members of the public or the medical staff may comment on agenda items after the item has been discussed by the Committee but before a Committee recommendation is decided. In either case, each speaker will be allowed five minutes.

1. **Annual Audited Financial Statement** – Report to Audit and Compliance Committee from Moss Adams relative to the annual audited financial statements for fiscal year 2023 – *Brian Conner and John Feneis, Moss Adams*

Adjourn – *Mike Olmos, Audit and Compliance Committee Chair*

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.

Kaweah Delta Healthcare District

2023 Audit Results

Kaweah Delta Health Care District

Dear Audit Committee Members:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the consolidated financial statements of Kaweah Delta Health Care District (the "District") for the year ended June 30, 2023.

The accompanying report, which is intended solely for the use of the Audit Committee and management, presents important information regarding the District consolidated financial statements and our audit that we believe will be of interest to you. It is not intended to be, and should not be, used by anyone other than these specified parties.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of the District personnel. We are pleased to serve and be associated with the District as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.

Agenda

- Auditor Opinion and Report
- Communication with Those Charged with Governance

Auditor Opinion and Report

Scope of Services

We have performed the following services for the District:

- Annual consolidated financial statement audit as of and for the year ended June 30, 2023

Auditor Report on the Financial Statements

Unmodified Opinion

- Consolidated financial statements are presented fairly and in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”)
- Report of Independent Auditors 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*

Communication with Those Charged with Governance

Matters to be Communicated to the Governing Body

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

As stated in our engagement letter dated May 19, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. GAAP. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Matters to be Communicated to the Governing Body (Continued)

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards issued by the AICPA and to design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements as a whole are free from material misstatement.

Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*.

1

To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, *Government Auditing Standards*, issued by the Comptroller General of the United States and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient and appropriate audit evidence and to communicate with those charged with governance and overview of the planned scope and timing of the audit.

OUR COMMENTS

- The planned scope and timing of the audit was communicated to the District's audit committee at the audit entrance meeting and was included in the engagement letter for the year ended June 30, 2023

Significant Accounting Policies and Unusual Transactions

The auditor should determine that the audit committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the audit committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

OUR COMMENTS

- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the consolidated financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies.
- Adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.
- Adoption of GASB Statement No. 91, *Conduit Debt Obligation*.
- There were no other changes to significant accounting policies for the year ended June 30, 2023.
- We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgements and Accounting Estimates

The audit committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basics for the auditor's conclusions regarding the reasonableness of those estimates.

OUR COMMENTS

- Management's judgements and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially mistake the consolidated financial statements.
- Significant management estimates impacted the consolidated financial statements including the following: **accounts receivable, third-party settlements, risk management liabilities, post-retirement liabilities, and contingencies.**
- We deem them to be reasonable.

Lookback Analysis (Sorian – non-RHS - AR only)

	2021	2022	2023
Net Accounts Receivable	$104,903,630	$115,692,274	$121,628,258
Collected 2 months after 6/30	$(67,388,803)	$(67,926,594)	$(65,633,962)
% Collected 2 months after 6/30	60%	63%	59%
Exposure after 2 month's collections	$37,514,827	$47,765,680	$45,032,381
Collected after 14 months	$(105706,257)	$(107,943,086)	N/A
% Collected after 15 months	101%	93%	N/A

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Management Judgments and Accounting Estimates

Our views about the quantitative aspects of the entity's significant accounting policies, accounting estimates, and financial statement disclosures.

OUR COMMENTS

- The disclosures in the consolidated financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users; however, we do not believe any of the notes are particularly sensitive.

Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial

The audit committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the District's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future consolidated financial statements to be materially misstated.

The audit committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

OUR COMMENTS

- Corrected and Uncorrected Misstatements

Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the audit committee.

OUR COMMENTS

- Material weakness
  - None noted
- Significant deficiencies
  - Nothing to communicate

Difficulties Encountered in Performing the Audit

The audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's consolidated financial statements, or the auditor's report.

OUR COMMENTS

- No significant difficulties were encountered during our audit.
- We are pleased to report that there were no disagreements with management.

Material Uncertainties Related to Events and Conditions/Fraud and Noncompliance with Laws and Regulations

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the audit committee.

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

OUR COMMENTS

- No such matters came to our attention.
- We have not become aware of any instances of fraud or noncompliance with laws and regulations.

Other Material Written Communications

The audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's consolidated financial statements, or the auditor's report.

OUR COMMENTS

- Other than the engagement letter, management representation letter, and communication to those charged with governance, there have been no other significant communications.

Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the District's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

OUR COMMENTS

- We are not aware of any significant accounting or auditing matters for which management consulted other accountants.

Potential Effect on the Consolidated Financial Statements of any Significant Risks and Exposures

The audit committee should be adequately informed of the potential effect on consolidated financial statements of significant risks and exposures and uncertainties that are disclosed in the consolidated financial statements.

OUR COMMENTS

- The District is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the consolidated financial statements.

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John Feneis

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(415) 677-8341

THANK YOU

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Kaweah Delta Health Care District

June 30, 2023 and 2022

Table of Contents

Management's Discussion and Analysis

Kaweah Delta Health Care District's (the "District") discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and identify any material deviations from the financial plan (the "approved budget"). Unless otherwise noted, all discussion and analysis pertains to the District's financial condition, results of operations, and cash flows as of and for the year ended June 30, 2023. Please read it in conjunction with the consolidated financial statements in this report.

Financial Highlights

- The District's net position decreased by $45.6 million, or 9.8%, primarily attributable to the year's net loss (loss before contributions). Total assets decreased by $90.5 million, or 9.9%. Cash and investments decreased by $89.4 million, or 29.5%, mainly due to the $26.5 million decrease in the Medicare advance payment liability and the cash used for operations. Capital assets decreased $12.0 million to $312.2 million. Net additions to buildings, equipment, and construction-in-progress of $14.8 million was outpaced by a $26.8 million net increase in accumulated depreciation.

- The District's total operating revenues decreased to $850.2 million, a 0.8% decrease from the prior year, while total operating expenses increased to $903.0 million, an increase of 1.8%. The current year decrease in total operating revenues is primarily due to a $17.6 million decrease in net patient services revenue offset by a $9.6 million increase in premium revenue. The decrease in net patient services revenue is driven by a decrease in patient volumes. The increase in premium revenue is due to an increase in the number of covered lives as well as an increase in the per member payment amount.

- Capital contributions to Kaweah Delta Hospital Foundation (the "Foundation") were $1.6 million in fiscal year 2023, a decrease of $3.5 million compared to fiscal year 2022.

- During the fiscal year, the District made the following significant capital expenditures:

    - Construction costs and related equipment for many facility improvement projects

    - TrueBeam, Brainlab and Vision RT radiation therapy equipment

    - Medical surgical bed replacements, Panda infant warmers, and telesitter solution equipment

    - Implementation costs related to Workday enterprise resource planning (ERP) software

The source of funding for these projects was derived from operations, capital contributions, bond project funds, and funds reserved for capital acquisition.

Required Consolidated Financial Statements

The consolidated financial statements of the District include: (a) a consolidated statement of net position, (b) a consolidated statement of revenues, expenses, and changes in net position, and (c) a consolidated statement of cash flows. The consolidated statement of net position includes information about the nature of the District's assets and liabilities and classifies them as current or noncurrent. It also provides the basis for evaluation of the capital structure of the District and for assessing the liquidity and financial flexibility of the District. The District's revenues and expenses are accounted for in the consolidated statement of revenues, expenses, and changes in net position. This statement measures the District's operations and can be used to determine whether the District has been able to recover all of its operating costs from patient services and other operating revenue sources. The primary purpose of the consolidated statement of cash flows is to provide information about the District's cash from operating, noncapital financing, capital and related financing, and investing activities. It provides answers to such questions as what were the District's sources of cash, what was cash used for, and what was the change in cash balances during the reporting period.

TABLE 1

Financial Analysis of the District

Condensed Consolidated Statements of Net Position

(in Thousands)

A summary of the District's consolidated statements of net position is presented in Table 1 below:

	June 30, 2023	June 30, 2022 (as restated)	Dollar Change	Total % Change
Current and other assets	$ 514,634	$ 593,127	$ (78,493)	-13.2%
Capital assets	312,186	324,169	(11,983)	-3.7%
Total assets	826,820	917,296	(90,476)	-9.9%
Deferred outflows	24,083	34,410	(10,327)	-30.0%
Total assets and deferred outflows	$ 850,903	$ 951,706	$ (100,803)	-10.6%
Current and other liabilities	$ 193,628	$ 238,530	$ (44,902)	-18.8%
Long-term debt outstanding	237,228	247,513	(10,285)	-4.2%
Total liabilities	430,856	486,043	(55,187)	-11.4%
Deferred inflows	-	-	-	
Net investment in capital assets	72,763	68,426	4,337	6.3%
Restricted	50,013	32,019	17,994	56.2%
Unrestricted	297,271	365,218	(67,947)	-18.6%
Total net position	420,047	465,663	(45,616)	-9.8%
Total liabilities, deferred inflows, and net position	$ 850,903	$ 951,706	$ (100,803)	-10.6%

As reflected in Table 1, net position decreased $45.6 million to $420.0 million for the year ended June 30, 2023, primarily attributable to the District's $47.2 million loss before contributions.

TABLE 2

Financial Analysis of the District (Continued)

Condensed Consolidated Statements of Net Position

(in Thousands)

A summary of the District's consolidated statements of net position is presented in Table 2 below:

	June 30, 2022 (as restated)	June 30, 2021	Dollar Change	Total % Change
Current and other assets	$ 593,127	$ 674,603	$ (81,476)	-12.1%
Capital assets	324,169	344,521	(20,352)	-5.9%
Total assets	917,296	1,019,124	(101,828)	-10.0%
Deferred outflows	34,410	3,490	30,920	886.0%
Total assets and deferred outflows	$ 951,706	$ 1,022,614	$ (70,908)	-6.9%
Current and other liabilities	$ 238,530	$ 246,452	$ (7,922)	-3.2%
Long-term debt outstanding	247,513	250,675	(3,162)	-1.3%
Total liabilities	486,043	497,127	(11,084)	-2.2%
Deferred inflows	-	39,321	(39,321)	
Net investment in capital assets	68,426	107,949	(39,523)	-36.6%
Restricted	32,019	31,712	307	1.0%
Unrestricted	365,218	346,505	18,713	5.4%
Total net position	465,663	486,166	(20,503)	-4.2%
Total liabilities, deferred inflows, and net position	$ 951,706	$ 1,022,614	$ (70,908)	-6.9%

As reflected in Table 2, net position decreased $20.5 million to $465.7 million for the year ended June 30, 2022, primarily attributable to the District's $20.5 million net loss before contributions.

TABLE 3

Financial Analysis of the District (Continued)

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

(in Thousands)

The following table presents a summary of the District's revenues, expenses, and changes in net position:

	Years Ended June 30, 2023	Years Ended June 30, 2022 (as restated)	Dollar Change	Total % Change
Net patient services revenue	$ 693,157	$ 710,723	$ (17,566)	-2.5%
Premium revenue	79,052	69,495	9,557	13.8%
Management services revenue	38,652	36,060	2,592	7.2%
Other operating revenue	39,318	41,036	(1,718)	-4.2%
Total operating revenues	850,179	857,314	(7,135)	-0.8%
Salaries and benefits	415,345	417,003	(1,658)	-0.4%
Medical and other supplies	166,010	162,631	3,379	2.1%
Medical and other fees and services	221,433	214,426	7,007	3.3%
Maintenance, utilities, and rent	37,929	37,901	28	0.1%
Depreciation and amortization	40,031	38,905	1,126	2.9%
Other	22,210	16,486	5,724	34.7%
Total operating expenses	902,958	887,352	15,606	1.8%
Operating loss	(52,779)	(30,038)	(22,741)	75.7%
Nonoperating revenues, net of nonoperating expenses	5,561	4,424	1,137	25.7%
Loss before capital contributions	(47,218)	(25,614)	(21,604)	84.3%
Capital contributions	1,602	5,111	(3,509)	-68.7%
Changes in net position	(45,616)	(20,503)	(25,113)	122.5%
Net position, beginning of year	465,663	486,166	(20,503)	-4.2%
Net position, end of year	$ 420,047	$ 465,663	$ (45,616)	-9.8%

TABLE 4

Financial Analysis of the District (Continued)

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

(in Thousands)

The following table presents a summary of the District's revenues, expenses, and changes in net position:

	Years Ended			
	June 30, 2022 (as restated)	June 30, 2021	Dollar Change	Total % Change
Net patient services revenue	$ 710,723	$ 652,256	$ 58,467	9.0%
Premium revenue	69,495	58,107	11,388	19.6%
Management services revenue	36,060	34,167	1,893	5.5%
Other operating revenue	41,036	31,788	9,248	29.1%
Total operating revenues	857,314	776,318	80,996	10.4%
Salaries and benefits	417,003	382,418	34,585	9.0%
Medical and other supplies	162,631	162,660	(29)	0.0%
Medical and other fees and services	214,426	167,751	46,675	27.8%
Maintenance, utilities, and rent	37,901	35,610	2,291	6.4%
Depreciation and amortization	38,905	36,009	2,896	8.0%
Other	16,486	14,292	2,194	15.4%
Total operating expenses	887,352	798,740	88,612	11.1%
Operating loss	(30,038)	(22,422)	(7,616)	34.0%
Nonoperating revenues, net of nonoperating expenses	4,424	34,634	(30,210)	87.2%
(Loss) income before capital contributions	(25,614)	12,212	(37,826)	-309.7%
Capital contributions	5,111	1,515	3,596	237.4%
Changes in net position	(20,503)	13,727	(34,230)	-249.4%
Net position, beginning of year	486,166	472,439	13,727	2.9%
Net position, end of year	$ 465,663	$ 486,166	$ (20,503)	-4.2%

Sources of Revenue

Operating revenues – For fiscal year 2023, the District derived 98.3% of its total revenues from operations. Operating revenues include, among other items, patient care revenue from Medicare, Medi-Cal, and other federal, state, and local government programs, and commercial insurance payers and patients; management services revenue associated with the District's forty-five percent (45%) ownership in SRCC-Medical Oncology, LLC, a management services organization providing staff, facilities, and administrative services to a medical oncology physician group; premium revenue associated with a capitated Medicare Advantage contract; cafeteria sales; QIP program revenue; membership sales and dues from a District-owned health and fitness center; and minority ownership interests in a free-standing ambulatory surgery center, an assisted living center, and a memory care facility.

Nonoperating revenues – For fiscal year 2023, the District derived 1.7% of its total revenues from nonoperating revenues. Nonoperating revenues include investment income, Stimulus funds, gain on the sale of capital assets and property tax revenue including that associated with the general obligation bonds as well as an allocation of general property taxes assessed by the County of Tulare on properties residing within the District's geographical boundaries.

Operating and Financial Performance

The following summarizes the District's consolidated statements of revenues, expenses, and changes in net position between 2023 and 2022:

Acute admissions decreased by 1,000, or 4.2%, to 22,693 and acute patient days decreased by 13,005, or 9.5%, to 129,703. Skilled nursing and long-term subacute patient days decreased by 7.8% to 17,791 days in 2023. Outpatient equivalent patient days, a measure of overall outpatient activity, increased by 5.4% from 2022 levels. The overall increase in outpatient activity was mainly driven by increases in emergency department visits and lab and radiology procedures.

Net patient services revenue decreased $17.6 million, or 2.5%, in 2023. The decrease in net patient services revenue can mainly be attributed to the decrease in patient volume noted above.

The District participates in various supplemental payment programs administered by the State of California as discussed in detail in the notes to the consolidated financial statements. In fiscal year 2023, net patient services revenue includes $18.5 million related to the QAF Managed Care Medi-Cal program, $5.4 million related to the AB113 IGT FFS Medi-Cal Inpatient program, and $19.0 million related to the Rate Range IGT Managed Medi-Cal program.

Premium revenue associated with a capitated Medicare Advantage contract increased by $9.6 million, or 13.8%, from 2022, due to an increase in the number of covered lives as well as an increase in the per member payment amount.

Management services revenue increased $2.6 million, or 7.2%, from 2022. The increase in revenue is primarily associated with the increase in revenue generated by the SRCC-Medical Oncology joint venture.

Other operating revenue consists primarily of QIP program revenue, cafeteria sales, equity ownership in an ambulatory surgery center, assisted living center, and memory care facility, contributions, and health and fitness center membership sales and dues. Other operating revenue decreased by $1.7 million, or 4.2%. This decrease is primarily related to a decrease in QIP revenue recognized.

Salaries and benefits expense decreased $1.7 million, or 0.4%. Salaries and wages decreased $13.1 million, or 3.7%, and employee benefits expense increased $11.4 million, or 17.6%, from 2022. The decrease in salaries and wages was mainly attributable to the decrease in inpatient volumes, the closure of the medical foundation clinic, and the reduction of workforce in response to losses incurred during the first quarter of the fiscal year. An increase in workers' compensation expense and defined benefit pension plan cost were the main drivers of the increase in benefits expense.

Medical and other supplies expense increased by $3.4 million, or 2.1%, from 2022. The impact of the decrease in patient volume was offset by the overall price increases experienced in medical surgical supplies.

Medical and other fees and services increased $7.0 million, or 3.3%, due to a $7.5 million increase in nursing contract labor, a $4.7 million increase in third-party purchased service cost related to the Medicare Advantage contract for which the District receives revenue on a capitation basis, offset by a $5.6 million decrease in physician fees related to the closure of the medical foundation during the last quarter of the fiscal year.

Maintenance, utilities, and rent was consistent with 2022.

Depreciation and amortization expense increased $1.1 million, or 2.9%. The increase was due to the implementation of Governmental Accounting Standards Board Statement No. 96 *Subscription-Based Information Technology Arrangements,* in 2023.

Other expenses increased $5.7 million, or 34.7%, resulting mainly from the increase in professional liability expense and insurance cost.

Total operating expenses increased by $15.6 million, or 1.8%.

Nonoperating revenues of $14.5 million for fiscal year 2023 are comprised of $681,000 of stimulus funds, $5.2 million of tax revenue received from the County of Tulare, the $4.6 million gain on the sale of assets and $4.1 million of investment income. District investments by law may only be invested in high-grade, governmental and commercial fixed income securities and money market funds.

Nonoperating expenses represent interest on the District's short-term and long-term debt consisting of revenue and general obligation bonds, loss on disposal of capital assets, and bond issuance expense. Total interest expense of was consistent with 2022 at $9.0.

For fiscal year 2023, capital contributions of $1.6 million represent amounts received from Foundation donors to support specific capital purposes. The Foundation exists to support the needs of the District and to help build support for the District and our community.

The following summarizes the District's consolidated statements of revenues, expenses, and changes in net position between 2022 and 2021:

Acute admissions increased by 347, or 1.5%, to 23,693 and acute patient days increased by 11,477, or 8.7%, to 147,752. Skilled nursing and long-term subacute patient days decreased by 3.2% to 19,294 days in 2022. Outpatient equivalent patient days, a measure of overall outpatient activity, increased by 10.0% from 2021 levels. The overall increase in outpatient activity was mainly driven by increases in emergency department and urgent care visits and lab and radiology procedures.

Net patient services revenue increased $58.5 million, or 9.0%, in 2022. The increase in net patient services revenue can mainly be attributed to the increase in patient volume noted above.

The District participates in various supplemental payment programs administered by the State of California as discussed in detail in the notes to the consolidated financial statements. In fiscal year 2022, net patient services revenue includes $16.1 million related to the QAF Managed Care Medi-Cal program, $7.4 million related to the AB113 IGT FFS Medi-Cal Inpatient program, and $24.4 million related to the Rate Range IGT Managed Medi-Cal program.

Premium revenue associated with a capitated Medicare Advantage contract increased by $11.4 million, or 19.6%, from 2021, due to an increase in the number of covered lives as well as an increase in the per member payment amount.

Management services revenue increased $1.9 million, or 5.5%, from 2021. The increase in revenue is primarily associated with the increase in revenue generated by the SRCC-Medical Oncology joint venture.

Other operating revenue consists primarily of QIP program revenue, cafeteria sales, equity ownership in an ambulatory surgery center, assisted living center, and memory care facility, contributions, and health and fitness center membership sales and dues. Other operating revenue increased by $9.2 million, or 29.1%. This increase is primarily related to an increase in QIP revenue recognized and to an increase in health and fitness center membership revenue.

Salaries and benefits expense increased $34.6 million, or 9.0%. Salaries and wages increased $26.0 million, or 8.0%, and employee benefits expense increased $8.5 million, or 15.2%, from 2021. The increase in salaries and wages was mainly attributable to an increase in patient volumes, shift incentives, and novel coronavirus ("COVID-19") supplemental sick pay. The decrease in investment earnings related to the defined benefit pension plan assets was the main driver of the increase in benefits expense.

Medical and other supplies expense remained consistent with 2021. The impact of the increase in patient volume was offset by a $5.7 million decrease in COVID-19 related supply purchases.

Medical and other fees and services increased $46.7 million, or 27.8%, due to a $30.2 million increase in nursing contract labor, an $11.5 million increase in third-party purchased service cost related to the Medicare Advantage contract for which the District receives revenue on a capitation basis, and the remainder related to an increase in physician fees.

Maintenance, utilities, and rent increased by $2.3 million, or 6.4%, during 2022, primarily due to an increase in information systems contracts and an increase in utilities.

Depreciation and amortization expense increased $2.9 million, or 8.0%.

Other expenses increased $2.2 million, or 15.4%, resulting mainly from the increase in professional liability expense.

Total operating expenses increased by $88.6 million, or 11.1%.

Nonoperating revenues of $13.7 million for fiscal year 2022 are comprised of $18.5 million of stimulus funds, including provider relief funding, $5.3 million of tax revenue received from the County of Tulare and a $10.2 million loss on investments due to unrealized losses on District and Foundation investments. District investments by law may only be invested in high-grade, governmental and commercial fixed income securities and money market funds.

Nonoperating expenses represent interest on the District's short-term and long-term debt consisting of revenue and general obligation bonds, loss on disposal of capital assets, and bond issuance expense. Total interest expense of $9.0 million increased by $476,000, from 2021. Both bond issuance and interest expenses increased in 2022.

For fiscal year 2022, capital contributions of $5.1 million represent amounts received from Foundation donors to support specific capital purposes. The Foundation exists to support the needs of the District and to help build support for the District and our community.

Budget Results

The Board of Directors approves the annual operating budget of the District. The budget remains in effect the entire year but is updated as needed for internal management use to reflect changes in activity and approved variances. A fiscal year 2023 budget comparison and analysis is presented below.

TABLE 5

Actual vs. Budget

(in Thousands)

	Years Ended June 30, 2023 Actual	2023 Budget	Dollar Variance	Total % Variance
Net patient services revenue	$ 693,157	$ 733,555	$ (40,398)	-5.5%
Management services revenue	38,652	40,949	(2,297)	-5.6%
Premium revenue	79,052	79,636	(584)	-0.7%
Other operating revenue	39,318	36,137	3,181	8.8%
Total operating revenues	850,179	890,277	(40,098)	-4.5%
Salaries and benefits	415,345	429,948	(14,603)	-3.4%
Medical and other supplies	166,010	163,724	2,286	1.4%
Medical and other fees and services	221,433	204,417	17,016	8.3%
Maintenance, utilities, and rent	37,929	39,275	(1,346)	-3.4%
Depreciation and amortization	40,031	41,385	(1,354)	-3.3%
Other	22,210	20,267	1,943	9.6%
Total operating expenses	902,958	899,016	3,942	0.4%
Operating (loss) income	(52,779)	(8,739)	(44,040)	503.9%
Nonoperating revenues, net of nonoperating expenses	5,561	1,898	3,663	193.0%
(Loss) income before contributions	$ (47,218)	$ (6,841)	$ (40,377)	590.2%

In comparing actual versus budgeted 2023 results, the following is noted:

The District completed its fiscal year 2023 $40.4 million below the budgeted loss before contributions of $6.8 million. Operating income fell short of budget expectations, but nonoperating income exceeded budget by $3.7 million due to the gain on sale of assets of $4.6 million recorded in 2023.

The District's operating loss fell short of budget expectations by $44.0 million, mainly due to net patient services revenue which fell short of budget by $40.4 million, or 5.5%, due to lower-than-expected inpatient volumes. The District realized an unfavorable variance in total operating expenses of $3.9 million, or 0.4%, in fiscal year 2023. This unfavorable expense variance was due to the utilization of contract labor and the related increase in the per hour amount paid for these patient care staff members.

Capital Assets

At June 30, 2023, the District had $312.2 million invested in a variety of capital assets, as reflected in the following schedule (in thousands), which represents a net decrease (additions less retirements and depreciation) of $12.0 million from the end of the prior year.

	June 30, 2023	June 30, 2022 (as restated)	Dollar Change	Total % Change
Land	$ 17,542	$ 17,542	$ -	0.0%
Buildings and improvements	427,105	425,542	1,563	0.4%
Equipment	328,663	325,209	3,454	1.1%
Construction in progress	25,413	15,620	9,793	62.7%
	798,723	783,913	14,810	1.9%
Less: accumulated depreciation	(486,537)	(459,744)	(26,793)	5.8%
Capital assets, net	$ 312,186	$ 324,169	$ (11,983)	-3.7%

Long-Term Debt

At June 30, 2023, the District had approximately $239.5 million in revenue and general obligation bonds outstanding as described in Note 9 to the consolidated financial statements. The general obligation bonds represent the general obligation of the District. The District has the power and is obligated to cause annual ad valorem taxes to be levied upon all property within the District, subject to taxation by the District, and collected by the County of Tulare for payment, when due, of the principal and interest on the bonds. The bond indenture agreements contain various restrictive covenants that include, among other things, minimum debt service coverage, maintenance of minimum liquidity, restrictions on certain additional indebtedness, and requirements to maintain certain financial ratios.

2022 Bonds – During April 2022, the District issued $32.0 million Series 2022 Kaweah Delta Health Care District Revenue Refunding Bonds. The revenue bonds bear interest at a rate of 2.0%. The net proceeds were used to prepay existing debt, including the remaining 2017A and 2017B bonds. The 2022 revenue bonds maturing on or after June 1, 2022 to May 31, 2023, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to 102% of the principal amount of the bonds. The 2022 revenue bonds, maturing on or after June 1, 2023 to May 31, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to 101% of the principal amount of the bonds. The 2022 revenue bonds, maturing on or after June 1, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to the principal amount of the bonds, without premium. The current refunding of the 2017A and 2017B bonds resulted in decreased debt service payments of approximately $1.3 million over the next nine years and an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $1.2 million.

Economic Outlook

The District's Board of Directors and management considered many factors when setting the fiscal year 2024 budget. Of primary importance in setting the 2024 budget is the status of the California economy, the fiscal policy of state and federal governments, the availability and affordability of labor, the general rise of health care related costs, and local and regional competition for health care services. Specific factors and assumptions incorporated in the District's fiscal year 2024 budget include:

- Inpatient utilization is projected to increase by 1.1% from 2023 levels reflecting an average daily patient census of 425. Outpatient activity expressed in equivalent inpatient days is projected to decrease 3.1% from 2023.

- A 2.4% decrease in gross patient services revenue due to changes in patient care volume and mix of services, with no retail price increase was budgeted.

- A Medicare general acute care rate increase of approximately 2.8%, an increase of 3.8% for outpatient services, an increase of 3.7% for skilled nursing and for subacute services, an increase of 1.1% for home health services, an increase of 3.8% for rural health clinic services, an increase of 3.7% for acute rehabilitation, and a 1.9% increase for acute psychiatric services.

- No change in reimbursement anticipated for Medi-Cal fee-for-service acute medical/surgical, rehabilitation services, skilled nursing, subacute, psychiatric, home health, and outpatient fee-for-service reimbursement. Includes $9.6 million in disproportionate share payments, $5.0 million in anticipated fee-for-service intergovernmental transfer revenues and $19.8 million in provider fee intergovernmental transfer and grant revenue.

- Medi-Cal managed care reimbursement rate increases of approximately 1.3% based on scheduled rate increases included in multi-year contracts. Includes $20.8 million of Medi-Cal managed care rate range program and $21.3 million of District Hospital Directed Payment program intergovernmental transfer revenue.

- Annual scheduled rate increases for nongovernment managed care payers for contracts negotiated in prior years as well as expected new negotiated increases with managed care plans averaging 2.2%.

- The successful improvement of health care delivery system improvement initiatives under various care transformation programs resulting in the recognition of $9.9 million in related revenue.

- Overall expense per adjusted patient day is projected to decrease by 4.9% from the prior year.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of retirement plan participants. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TABLE 6

Fiduciary Activities

(in Thousands)

	RETIREMENT PLAN		
	2023	2022	2021
ASSETS			
Receivables	$ 362	$ 335	$ 365
Investments, at fair value	271,992	264,805	319,682
NET POSITION RESTRICTED FOR PENSIONS	$ 272,354	$ 265,140	$ 320,047
ADDITIONS			
Employer contributions	$ -	$ 11,400	$ 11,400
Net (loss) income from investments	25,513	(49,170)	73,603
Total additions	25,513	(37,770)	85,003
DEDUCTIONS			
Deductions	18,299	17,137	15,814
(DECREASE) INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	$ 7,214	$ (54,907)	$ 69,189

Report of Independent Auditors

The Board of Directors
Kaweah Delta Health Care District

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the business-type activities and the aggregate remaining fund information of Kaweah Delta Health Care District (the "District") as of June 30, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the District's basic consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated net position of the business-type and the aggregate remaining fund information of Kaweah Delta Health Care District as of June 30, 2023 and 2022, and the respective changes in consolidated net position and, where applicable, cash flows thereof 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 (GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts. We also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* ("*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 the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 GAAS, the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts 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 consolidated financial statements.

In performing an audit in accordance with GAAS, the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts 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 consolidated 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 consolidated 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 consolidated 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.

Emphasis of Matter – New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the District adopted Government Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of July 1, 2021. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 1 through 14 and the supplemental pension information on pages 60 and 61, be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated 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 consolidated 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 *Government Auditing Standards*

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

Stockton, California
___________, 2023

Consolidated Financial Statements

Kaweah Delta Health District
Consolidated Statements of Net Position
(in Thousands)
June 30, 2023 and 2022

	2023	2022 (as restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,127	$ 21,693
Board-designated and trustee assets, current portion	14,978	14,121
Accounts receivable:		
Patient accounts receivable	132,621	135,946
Other	27,475	27,575
Total accounts receivable	160,096	163,521
Inventories	13,117	14,025
Medicare and Medi-Cal settlements	81,412	58,593
Prepaid expenses	9,037	11,929
Total current assets	282,767	283,882
NONCURRENT CASH AND INVESTMENTS, net of current portion		
Board-designated assets	174,916	266,148
Bond assets held by trustee	18,605	8
Assets in self-insurance trust fund	956	1,040
Total noncurrent cash and investments	194,477	267,196
INTANGIBLE RIGHT-TO-USE ASSETS, net of accumulated amortization	11,249	14,376
INTANGIBLE RIGHT-TO-USE SBITA ASSETS, net of accumulated amortization	8,417	8,958
CAPITAL ASSETS		
Land	17,542	17,542
Buildings and improvements	427,105	425,542
Equipment	328,663	325,209
Construction in progress	25,413	15,620
	798,723	783,913
Less: accumulated depreciation	(486,537)	(459,744)
Total capital assets, net	312,186	324,169
OTHER ASSETS		
Property not used in operations	1,533	1,584
Health-related investments	2,841	4,620
Other	13,350	12,511
Total other assets	17,724	18,715
Total assets	826,820	917,296
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on defeasance of debt	3,127	3,521
Unamortized goodwill	-	181
Deferred outflows - actuarial	20,956	30,708
Total deferred outflows of resources	24,083	34,410
Total assets and deferred outflows of resources	$ 850,903	$ 951,706

See accompanying notes.

Kaweah Delta Health District
Consolidated Statements of Net Position (Continued)
(in Thousands)
June 30, 2023 and 2022

	2023	2022 (as restated)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 30,636	$ 36,574
Accrued payroll and related liabilities	50,478	70,419
Medicare accelerated payments payable	-	26,496
SBITA liability, current portion	2,734	2,583
Lease liability, current portion	2,614	4,542
Bonds payable, current portion	12,159	11,759
Notes payable, current portion	7,895	-
Total current liabilities	106,516	152,373
LEASE LIABILITY, net of current portion	8,741	10,135
SBITA LIABILITY, net of current portion	4,426	5,265
LONG-TERM DEBT, net of current portion		
Bonds payable	227,378	239,618
Notes payable	9,850	7,895
Total long-term debt	237,228	247,513
NET PENSION LIABILITY	42,961	39,789
OTHER LONG-TERM LIABILITIES	30,984	30,968
Total liabilities	430,856	486,043
NET POSITION		
Invested in capital assets, net of related debt	72,763	68,426
Restricted:		
Expendable	34,377	18,597
Nonexpendable - minority interest	3,029	2,613
Nonexpendable - permanent endowments	12,607	10,809
Unrestricted	297,271	365,218
Total net position	420,047	465,663
Total liabilities, deferred inflows of resources, and net position	$ 850,903	$ 951,706

See accompanying notes.

Kaweah Delta Health District
Consolidated Statements Revenues, Expenses, and Changes in Net Position
(in Thousands)
Years Ended June 30, 2023 and 2022

	2023	2022 (as restated)
OPERATING REVENUES		
Net patient services revenue	$ 693,157	$ 710,723
Premium revenue	79,052	69,495
Other revenues:		
Management services revenue	38,652	36,060
Other	39,318	41,036
Total other revenues	77,970	77,096
Total operating revenues	850,179	857,314
OPERATING EXPENSES		
Salaries and wages	338,996	352,108
Employee benefits	76,349	64,895
Total employment expenses	415,345	417,003
Medical and other supplies	166,010	162,631
Medical and other fees	159,077	156,218
Purchased services	62,356	58,208
Repairs and maintenance	25,824	26,936
Utilities	10,287	9,277
Rents and leases	1,818	1,688
Depreciation and amortization	40,031	38,905
Other	22,210	16,486
Total operating expenses	902,958	887,352
Operating loss	(52,779)	(30,038)
NONOPERATING REVENUES (EXPENSES)		
Property tax revenue	5,232	5,319
Stimulus funds	681	18,548
Investment returns, net	4,054	(10,168)
Bond issuance expense	-	(269)
Interest expense	(8,988)	(9,008)
Gain on disposal of capital assets	4,582	2
Total nonoperating revenues	5,561	4,424
LOSS BEFORE CAPITAL CONTRIBUTIONS	(47,218)	(25,614)
CAPITAL CONTRIBUTIONS	1,602	5,111
CHANGES IN NET POSITION	(45,616)	(20,503)
NET POSITION, beginning of year	465,663	486,166
NET POSITION, end of year	$ 420,047	$ 465,663

See accompanying notes.

Kaweah Delta Health District
Consolidated Statements of Cash Flows
(in Thousands)
Years Ended June 30, 2023 and 2022

	2023	2022 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from net patient services revenue	$ 673,488	$ 675,252
Cash received from management services and other operating revenues	156,572	135,357
Cash received from Medicare accelerated payments	(26,496)	(50,350)
Cash payments for salaries, wages, and related benefits	(435,286)	(418,121)
Cash payments for other operating expenses	(436,015)	(445,396)
Net cash from operating activities	(67,737)	(103,258)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax revenue	1,717	1,617
Federal stimulus funds	681	18,548
Net cash from noncapital financing activities	2,398	20,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond issuance costs on bonds payable	-	(269)
Interest payments on bonds payable	(8,584)	(9,215)
Principal payments on bonds payable	(11,759)	(41,726)
Interest payments on lease and SBITA liabilities	(83)	(127)
Principal payments on lease and SBITA liabilities	(7,822)	(7,053)
Proceeds from revenue bonds	-	32,035
Proceeds from notes payable	9,850	7,895
Contributions received for capital expenditures	1,602	5,111
Tax revenue related to general obligation bonds	3,514	3,703
Purchase of capital assets	(23,161)	(12,624)
Proceeds from disposal of capital assets	6,348	-
Net cash from capital and related financing activities	(30,095)	(22,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments	4,956	2,639
Purchase of investments	(32,962)	(73,599)
Net health-related investment contributions	1,951	490
Proceeds from sales and maturities of investments	76,696	72,336
Net cash from investing activities	50,641	1,866
NET CHANGES IN CASH AND CASH EQUIVALENTS	(44,793)	(103,497)
CASH AND CASH EQUIVALENTS, beginning of year	116,053	219,550
CASH AND CASH EQUIVALENTS, end of year	$ 71,260	$ 116,053

See accompanying notes.

Kaweah Delta Health District
Consolidated Statements of Cash Flows (Continued)
(in Thousands)
Years Ended June 30, 2023 and 2022

	2023	2022 (as restated)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents in current assets	$ 4,127	$ 21,693
Cash and cash equivalents in noncurrent cash and investments:		
Board-designated cash and investments	61,056	89,305
Bond assets held by trustee	6,024	5,050
Assets in self-insurance trust fund	53	5
	$ 71,260	$ 116,053
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (52,779)	$ (30,038)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	40,031	38,905
Provision for bad debts	10,209	25,035
Changes in operating assets and liabilities:		
Accounts receivable	(6,783)	(50,955)
Inventories, prepaid expenses, and other assets	(19,572)	(27,243)
Accounts payable and accrued expenses, accrued payroll related liabilities, lease liabilities, Medicare accelerated payments payable, and other long-term liabilities	(38,843)	(58,962)
Net cash from operating activities	$ (67,737)	$ (103,258)

See accompanying notes.

Kaweah Delta Health District
Statements of Fiduciary Net Position
(in Thousands)
Years Ended June 30, 2023 and 2022

	KAWEAH DELTA HEALTH CARE DISTRICT EMPLOYEES' RETIREMENT PLAN	
	2023	2022
ASSETS		
Receivables:		
Accrued interest and dividends receivable	$ 362	$ 335
Total receivables	362	335
Investments, at fair value:		
Cash and cash equivalents	4,628	19,587
Fixed income investments	62,144	61,821
Equities	205,220	183,397
Total investments	271,992	264,805
Total assets and net position restricted for pensions	$ 272,354	$ 265,140

See accompanying notes.

Kaweah Delta Health District
Statements of Changes in Fiduciary Net Position
(in Thousands)
Years Ended June 30, 2023 and 2022

	KAWEAH DELTA HEALTH CARE DISTRICT EMPLOYEES' RETIREMENT PLAN	
	2023	2022
ADDITIONS		
Contributions:		
Employer contributions	$ -	$ 11,400
Investments income:		
Net increase (decrease) in fair value of investments	17,677	(56,266)
Interest and dividend income	8,888	8,650
Investment expense	(1,052)	(1,554)
Net income (loss) from investing	25,513	(49,170)
Total additions, net	25,513	(37,770)
DEDUCTIONS		
Benefit payments	17,730	16,832
Administrative expenses	569	305
Total deductions	18,299	17,137
INCREASE (DECREASE) IN NET POSITION	7,214	(54,907)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	265,140	320,047
End of year	$ 272,354	$ 265,140

See accompanying notes.

Note 1 – Basis of Presentation and Accounting Policies

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Reporting entity – Kaweah Delta Health Care District (the "District") is a political subdivision of the State of California, organized and existing under the State of California Local Health Care District Law as set forth in the Health and Safety Code of the state of California. The District is governed by a separately-elected Board of Directors (the "Board").

The accounting policies of the District conform to those recommended by the Health Care Committee of the American Institute of Certified Public Accountants. The District's consolidated financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board ("GASB"), and the Financial Accounting Standards Board ("FASB"), when applicable. The District is not generally subject to state and federal income taxes. The District provides health care services to individuals who reside primarily in the local geographic area.

Principles of consolidation – The consolidated financial statements of the District include the accounts of the District, Kaweah Delta Hospital Foundation (the "Foundation"), Kaweah Health Medical Group ("KHMG"), Sequoia Regional Cancer Center, LLC ("SRCC"), Sequoia Regional Cancer Center – Medical Oncology, LLC ("SRCC-MO"), and TKC Development, LLC ("TKC"). KHMG, SRCC, SRCC-MO, TKC, and the Foundation are component units that have been blended for presentation purposes. The District has a 75% interest in TKC, which leases real estate and equipment from the District and then subleases the real estate and equipment to SRCC and SRCC-MO. The District has a 75% interest in SRCC and a 45% interest in SRCC-MO, management services organizations providing staff, facilities, and administration services to the radiation oncology department of the District and a medical oncology physician group, respectively. The District provides key management, administrative, and support services to SRCC and SRCC-MO, including all of their employees, leased buildings and equipment, accounting, human resources, information technology, housekeeping, risk management, and maintenance services.

The Foundation was established in March 1980, as an exempt organization under Internal Revenue Code ("IRC") Section 501(c)(3) to raise funds to support the operation of the District. The Foundation's bylaws provide that all funds raised be distributed to or be held for the benefit of the District. The Foundation's general funds, which represent the Foundation's unrestricted resources, will be distributed to the District in amounts and in periods determined by the Foundation's Board of Trustees.

Effective November 1, 2015, the District and its subsidiary, Kaweah Delta Health Care, Inc., a California nonprofit 501(c)(3) public benefit corporation, doing business as KHMG, entered into an affiliation with Visalia Medical Clinic ("VMC"), a California professional medical corporation. KHMG provided primary and specialty care health services to patients. The District is the sole corporate member of KHMG, with the nonprofit entity operating as a California medical foundation pursuant to Section 1206(l) of the California Health and Safety Code. VMC had entered into a professional services agreement with KHMG and provided medical services to patients of KHMG. In April 2023, the professional services agreement between VMC and KHMG terminated and KHMG no longer provides patient care.

All intercompany transactions have been eliminated in the District's consolidated financial statements.

Proprietary fund accounting – The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

Fiduciary fund accounting – Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the statements of fiduciary net position and statements of change in fiduciary net position at the fund financial statement level.

Kaweah Delta Health Care District Employees' Retirement Plan – The "Retirement Plan" was originally adopted as a defined benefit plan effective July 1, 1984. Effective June 30, 2011, the Retirement Plan was restated and amended (see Note 11). The Retirement Plan is administered by the sponsor, the District, and Retirement Plan assets are held by the custodian of the Retirement Plan, First State Trust Company. The Retirement Committee (the "Committee") of the District retains the responsibility to oversee the management of the Retirement Plan, including the requirement that investments and assets held within the Retirement Plan continually adhere to the requirements of the California Government Code which specifies that the trustee's primary role is to preserve capital, then maintain investment liquidity and thirdly, to protect investment yield. As such, the District acts as the fiduciary of the Retirement Plan.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting standards – Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989 and State Controller's *Minimum Audit Requirement*s for California Special districts and the State Controller's office prescribed reporting guidelines.

Net patient services revenue and patient accounts receivable – Net patient services revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance and preferred provider organizations, and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the District's established rates. Final determination of certain amounts payable is subject to review by appropriate third-party representatives. Subsequent adjustments, if any, arising from such reviews are recorded in the year final settlement becomes known. Significant concentrations of net patient accounts receivable at June 30, 2023 and 2022, include Medicare, 29.63% and 34.51%, respectively, and Medi-Cal, 27.73% and 25.64%, respectively. The District provides for estimated losses on amounts receivable directly from patients based on historical bad debt experience. Past due status is based on the date the account is determined to be payable directly from the patient. When the account is deemed uncollectible in accordance with District policy, it is written off to bad debt expense. Recoveries from previously written-off accounts are recorded when received. At June 30, 2023 and 2022, the District provided allowances for losses on amounts receivable directly from patients totaling $48.5 million and $54.4 million, respectively. Amounts written off to bad debt expense included in net patient services revenue totaled approximately $10.2 million and $25.0 million for 2023 and 2022, respectively.

The District renders service to patients under contractual arrangements with the Medicare and Medi-Cal programs. Medicare payments are primarily prospective for inpatients, while Medicare payments for outpatients are based on a combination of a fee-for-service schedule and prospective reimbursement. Medi-Cal inpatient payments are subject to the state's prospective payment system. Medi-Cal outpatient services are reimbursed on a fee-for-service schedule. The programs' administrative procedures preclude final determination of amounts due for services to program patients until after the cost reports are audited or otherwise reviewed by and settled with the respective administrative agencies. Medicare and Medi-Cal cost reports for 2019 and 2022, are subject to audit and possible adjustment. Net Medicare and Medi-Cal program patient services revenue amounted to approximately $393.5 million and $372.5 million in 2023 and 2022, respectively. The District recognized in the consolidated statements of revenues, expenses, and changes in net position increases of approximately $702,000 and $2.9 million in 2023 and 2022, respectively, in net patient services revenue pertaining to the settlement of previous years' cost reports.

Cash and cash equivalents – Cash and cash equivalents include cash in bank checking, savings, and time deposit accounts, money market funds, and investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Charity care – The District provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. The District accepts all patients regardless of their ability to pay. Partial payments, to which the District is entitled from public assistance programs on behalf of patients that meet the District's charity care criteria, are reported as net patient services revenue. Charity care, which is excluded from recognition as receivables or revenue in the consolidated financial statements, provided in 2023 and 2022, measured on the basis of uncompensated cost, was $4.5 million and $5.8 million, respectively.

Inventories – Inventories are reported at cost (determined by the first-in, first-out method), which is not in excess of market value.

Prepaid expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Investments – Investments are reported at fair value, based on quoted market prices when applicable, and realized and unrealized gains and losses are included in nonoperating revenues as investment income. The fair market value of money market funds, guaranteed investment contracts, and investments in the Local Agency Investment Funds (“LAIF”), an external investment pool for government agencies administered by the State of California, approximates cost due to the liquid nature of these investments.

Noncurrent cash and investments – Noncurrent cash and investments include unrestricted cash and investments designated by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, cash, and investments held by trustees under bond indentures, and cash and investments held in the District’s self-insurance trust fund.

Intangible asset – The District contributed $2.0 million of the 2004 general obligation bond proceeds to the city of Visalia (the “City”) for the construction of a parking garage in exchange for 84 parking spaces for District use (see Note 9). The District’s use of the parking spaces is indefinite and the District is amortizing the asset over the estimated 25-year useful life of the parking garage. Amortization began in 2007 when the parking garage was completed and placed into service by the City.

Capital assets – Property, plant, and equipment are reported on the basis of cost or, in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities, or extend useful lives are capitalized. The District capitalizes interest cost net of any interest earned on temporary investments of the proceeds for construction projects funded by tax-exempt borrowings. Interest expense is also capitalized for projects financed with operating funds.

Depreciation expense and amortization of capital assets are combined in the consolidated statements of revenues, expenses, and changes in net position and are computed by the straight-line method for financial reporting purposes over the estimated useful lives of the assets or the life of the lease, whichever is less, which range from 5 to 40 years for buildings and improvements, and 3 to 25 years for equipment and leasehold improvements.

At times the District may dispose of capital assets prior to the end of the assets’ projected useful life. In cases when an associated gain or loss is recognized due to the disposal, the related gain or loss is shown as a nonoperating revenue or expenditure in the consolidated statements of revenue, expenses, and changes in net position.

Intangible right-to-use assets and lease liabilities – The District has recorded intangible right-to-use assets as a result of implementing GASB Statement No. 87, *Leases* (“GASB No. 87”). The intangible right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The intangible right-to-use assets are amortized on a straight-line basis over the life of the related lease. The District recognizes lease contracts or equivalents that have a term exceeding one year and that meet the definition of an other than short-term lease. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District’s incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Intangible right-to-use subscription-based information technology arrangements (“SBITA”) assets and SBITA liabilities – The District has recorded intangible right-to-use SBITA assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB No. 96”). The intangible right-to-use SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA. The intangible right-to-use SBITA assets are amortized on a straight-line basis over the life of the related lease. The District recognizes SBITA contracts or equivalents that have a term exceeding one year and that meet the definition of an other than short-term contract. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District’s incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Consolidated statements of revenues, expenses, and changes in net position – All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the consolidated statements of revenues, expenses, and changes in net position. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income.

Medical malpractice and general liability self-insurance – The District maintains a self-insurance policy against malpractice and comprehensive general liability loss with supplemental coverage for losses in excess of $4.0 million per incident and $6.0 million in aggregate with a coverage limit of $20.0 million per incident and in aggregate. The current portion of the related liability is reported in accounts payable and accrued expenses on the consolidated statements of net position, while the long-term portion is included in other long-term liabilities. The District has established an irrevocable trust for the purpose of appropriating assets to cover such losses. Under the trust agreement, the trust assets can only be used for payment of malpractice losses, general liability losses, related expenses, and the cost of administering the trust. The assets of the trust and related liabilities are reported on the consolidated statements of net position. Income from the trust assets, estimated losses from claims, and administrative costs are reported in the consolidated statements of revenues, expenses, and changes in net position.

Losses from asserted and unasserted claims identified under the District's incident reporting system are accrued based on estimates that incorporate the District's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The District's accrued malpractice losses also include an estimate of possible losses attributable to incidents that may have occurred, but have not been identified under the incident reporting system. The District has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Estimated future payments relating to malpractice losses have been discounted at a 3.0% rate.

Workers' compensation self-insurance – The District maintains a self-insurance policy against workers' compensation losses with supplemental coverage for losses in excess of $1.5 million. The Board has designated funds for the payment of workers' compensation claims. The current portion of the related liability is reported in accrued payroll and related liabilities on the consolidated statements of net position, while the long-term portion is included in other long-term liabilities. Losses from asserted and unasserted claims identified under the District's incident reporting system are accrued based on estimates that incorporate the District's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The District's accrued workers' compensation losses also include an estimate of possible losses attributable to incidents that may have occurred, but have not been identified under the incident reporting system. The District has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Estimated future payments relating to workers' compensation losses have been discounted at a 3.7% rate.

Medical benefits self-insurance – The District maintains a policy of self-insuring medical costs up to $1 million per employee. The related liability is reported in accrued payroll and related liabilities on the consolidated statements of net position. Losses from asserted and unasserted claims identified under the District's reporting system are accrued based on estimates that incorporate the District's past experience and relevant trend factors. The District's accrued medical insurance liability also includes an estimate of possible losses attributable to incidents that may have occurred, but have not been reported.

Compensated absences – The District's benefits-eligible employees earn vacation, short-term illness, and holiday leave, referred to as Paid Time Off ("PTO"), at varying rates based upon qualifying service hours. Employees may accumulate PTO up to a specified maximum. Accrued PTO is paid to the employee upon termination of employment or upon conversion to nonbenefits-eligible status. The estimated amount of PTO payable to employees is reported as a current liability in both 2023 and 2022. Extended Illness Bank ("EIB") time is also earned at a specific rate per qualified service hour. Employees who were vested in the District's defined benefit retirement plan as of June 30, 2011 (the effective date it was "frozen") were offered a one-time opportunity to have their accrued EIB time applied to length of service up to a maximum of one-year service credit. However, no payment is made for accrued EIB time when employment is terminated.

Medicare accelerated payments and Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") grants – The District, along with most other healthcare providers across the United States, has experienced operational challenges related to the COVID-19 pandemic. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020, and on March 13, 2020, the President of the United States declared a national emergency as a result of the pandemic. On March 27, 2020, the CARES Act was signed into law, which aimed to direct economic assistance for American workers, families, and small businesses, and preserve jobs for American industries. The District recognizes these federal stimulus funds in nonoperating revenues (expense) in the consolidated statements of revenues, expenses, and changes in net position, and will have to submit required reports documenting lost revenue and expenses incurred to support the grant funds, among other terms and conditions. On September 19, 2020 and July 1, 2021, the Department of Health and Human Services ("HHS") released updated information for health care providers that received Provider Relief Fund ("PRF") payments, which may impact the recognition of the payments and the available uses for the funds. Management believes that these changes will not have a material impact to the consolidated financial statements as of and for the year ended June 30, 2023 (see Note 14).

Separately, Centers for Medicare and Medicaid Services ("CMS") initiated a Medicare Accelerated Payment Program ("MAPP") to hospitals. The accelerated payments represent advance payments for services to be provided and were based on a hospital's historical Medicare volume. One year after receipt of MAPP funds, CMS has begun recouping the accelerated payments from billing for services rendered and will do so until they are fully repaid. All MAPP funds received by the District were repaid as of June 30, 2023.

Premium revenue and health care services cost recognition – The District contracts with a Medicare Advantage company ("Humana") to provide health care services for certain members for which it receives revenue on a capitated basis. Under this agreement, the District receives monthly capitation payments based upon the number of participants covered under the agreements, regardless of services actually performed by the District or others under the agreements. Revenue is recognized during the period in which the District is obligated to provide services to the participants. The agreement for which the District is compensated on a capitated basis requires that the District provide or arrange for certain covered health care services to all members covered under the contract, which results in the District compensating other providers on a fee-for-services basis for the services. The cost of these services is accrued in the period the services are provided to the members, based in part, on estimates by management. The accrual of expense for such services provided includes an estimate of services provided but not reported to the District as of the fiscal year end.

Net position – Net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted expendable net position, the use of which is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors. Restricted nonexpendable net position equals the principal portion of permanent endowments as well as minority interest.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

New accounting pronouncements – The GASB also issued GASB Statement No. 91, *Conduit Debt Obligation* ("GASB No. 91"). GASB No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for GASB No. 91 to reporting periods beginning July 1, 2022. Adoption of this standard did not have a material impact on the District's consolidated financial statements.

The GASB also issued GASB Statement No. 96,. GASB No. 96 establishes a uniform accounting and financial reporting requirement for SBITAs in order to improve the comparability of financial statements among governments that have entered into SBITAs and enhance the understandability, reliability, and consistency of information about SBITAs. GASB No. 96 is effective for reporting periods beginning after June 15, 2022. The District adopted GASB No. 96 as of July 1, 2021. The subscription contracts met the definition of a SBITA and the District calculated and recognized intangible right-to-use SBITA assets, net, of $2,335,000 and SBITA lease liabilities of $2,335,000 as of June 30, 2021. The impact to beginning net position was not significant. See Note 8 for disclosure of intangible right-to-use SBITA assets and SBITA liabilities and Note 15 for restatement.

The GASB also issued GASB Statement No. 101, *Compensated Absences* ("GASB No. 101"). GASB No. 101 establishes standards of accounting and financial reporting for compensated absences and associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits. GASB No. 101 is effective for reporting periods beginning after December 15, 2023. The District is currently assessing the impact of this standard on the District's consolidated financial statements.

Note 2 – Noncurrent Cash and Investments

Noncurrent cash and investments required for obligations classified as current liabilities are reported as current assets. The composition of noncurrent cash and investments at June 30 were as follows (in thousands):

	2023	2022
Board-designated assets:		
Cash and cash equivalents	$ 61,056	$ 89,305
U.S. Treasury obligations	37,236	69,539
Federal agency obligations	10,828	16,070
Municipal obligations	15,481	21,439
Corporate obligations	37,192	47,923
Equity securities	10,946	9,097
Mutual funds	1,232	1,255
Asset and mortgage-backed securities	7,472	13,630
Supranational Agency	-	3,957
Alternative investments	834	932
Interest receivable	399	761
Current portion	(7,760)	(7,760)
	$ 174,916	$ 266,148

	2023	2022
Bond assets held in trust:		
Cash and cash equivalents	$ 6,024	$ 5,050
Federal agency obligations	2,127	-
U.S. Treasury obligations	16,360	-
Interest receivable	-	7
Current portion	(5,905)	(5,049)
	$ 18,606	$ 8

	2023	2022
Assets in self-insurance trust fund:		
Cash and cash equivalents	$ 53	$ 5
U.S. Treasury obligations	2,089	2,029
Corporate obligations	114	308
Interest receivable	12	10
Current portion	(1,312)	(1,312)
	$ 956	$ 1,040

Note 3 – Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value within the fair value hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of net position reported at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall (in thousands):

	June 30, 2023				
Description	Level 1	Level 2	Level 3	Investments Held at Net Asset Value	Balance
Cash and cash equivalents	$ 60,130	$ -	$ -	$ -	$ 60,130
U.S. Treasury obligations	55,685	-	-	-	55,685
Federal agency obligations	-	12,955	-	-	12,955
Municipal obligations	-	15,481	-	-	15,481
Corporate obligations	-	37,306	-	-	37,306
Asset and mortgage-backed securities	-	7,472	-	-	7,472
Other Foundation assets	12,178	-	-	834	13,012
	$ 127,993	$ 73,214	$ -	$ 834	$ 202,041

Description	June 30, 2022 Level 1	Level 2	Level 3	Investments Held at Net Asset Value	Balance
Cash and cash equivalents	$ 84,691	$ -	$ -	$ -	$ 84,691
U.S. Treasury obligations	71,568	-	-	-	71,568
Federal agency obligations	-	16,070	-	-	16,070
Municipal obligations	-	21,439	-	-	21,439
Corporate obligations	-	48,231	-	-	48,231
Asset and mortgage-backed securities	-	13,630	-	-	13,630
Supranational Agency	-	3,957	-	-	3,957
Other Foundation assets	10,352	-	-	932	11,284
	$ 166,611	$ 103,327	$ -	$ 932	$ 270,870

Note 4 – Bank Deposits

At June 30, 2023 and 2022, the District had bank balances totaling $11.1 million and $31.3 million, respectively, which approximate book balances. Of these balances, $4.2 million and $8.0 million were insured by the Federal Deposit Insurance Corporation at June 30, 2023 and 2022, respectively, and the remainder was collateralized. The California Government Code (the “Code”) requires financial institutions to secure the District’s deposits, in excess of insured amounts, by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District’s deposits.

Note 5 – Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3*, requires the District to disclose its deposit and investment policies related to investments with credit risk or deposits with custodial credit risk, the credit ratings and maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government), and additional disclosures related to uninsured deposits. A summary of scheduled maturities by investment type at June 30, 2023 is as follows (in thousands):

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1–5	More than 5
U.S. Treasury obligations	$ 55,685	$ 2,608	$ 52,801	$ 276
Federal agency obligations	12,955	-	12,894	61
Corporate obligations	37,306	8,279	28,931	96
Municipal obligations	15,481	10,856	4,625	-
Asset and mortgage-backed securities	7,472	545	6,461	466
LAIF	4,514	4,514	-	-
CAMP	50,807	50,807	-	-
Money market funds	4,810	4,810	-	-
	189,030	$ 82,419	$ 105,712	$ 899
Equity securities	10,946			
Alternative investments	834			
Mutual funds	1,232			
	$ 202,042			

A summary of scheduled maturities by investment type at June 30, 2022 is as follows (in thousands):

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1–5	More than 5
U.S. Treasury obligations	$ 71,568	$ 1,745	$ 69,596	$ 227
Federal agency obligations	16,070	-	16,044	26
Corporate obligations	48,231	910	47,247	74
Municipal obligations	21,438	1,278	20,160	-
Asset and mortgage-backed securities	13,630	525	12,644	461
Supranational Agency	3,957	1,502	2,455	-
LAIF	41,000	41,000	-	-
CAMP	40,529	40,529	-	-
Money market funds	3,163	3,163	-	-
	259,586	$ 90,652	$ 168,146	$ 788
Equity securities	9,097			
Alternative investments	932			
Mutual funds	1,255			
	$ 270,870			

Investment activities of the District are governed by sections of the Code, which specify the authorized investments that may be made by the District. The District's investment policy (the "Policy") requires that all investing activities of the District comply with the Code and also sets forth certain additional restrictions that exceed those imposed by the Code. The Foundation is governed by the IRC; therefore, its investment activities are not subject to the same requirements as the District.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's investment policy provides that no investment shall be made in any security having a term remaining to maturity exceeding five years at the time of investment. The Foundation's Policy allows for longer-term investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Policy requires that, to be eligible for investment, corporate notes shall be rated “A,” or its equivalent, or better by a nationally-recognized rating service at the time of purchase. The Policy also limits investment in collateralized mortgage obligations to obligations rated “AA,” or its equivalent, or better. All of the District’s investments in corporate obligations and collateralized mortgage obligations met these requirements as of June 30, 2023. The Policy allows for investments in LAIF up to the maximum amount allowed by the state of California. The investment in LAIF is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty. The state of California Treasurer’s office has regulatory oversight of LAIF. The Policy includes no limitations or restrictions related to investments in United States Treasury or federal agency obligations. The Policy also allows for investment in shares of beneficial interest issued by a joint power authority (“JPA”) organized pursuant to the Code that invests in the securities and obligations authorized under the Code. The Code requires that the JPA issuing the shares shall have retained an investment adviser with appropriate size and experience as outlined in the Code. The District is a participant in two JPA programs, including the Investment Trust of California, commonly known as “CalTRUST”, and the California Asset Management Program, commonly known as “CAMP”, for the purpose of pooling local agency assets for investing. Participation in the JPA programs is open to any public agency in California. Both JPA programs are governed by a Board of Trustees (“Trustees”), all of whom are experienced investment officers or employees of the public agency members. The Trustees are responsible for setting the overall policies and procedures for and for overall administration of the JPA. CalTRUST is measured at net asset value (“NAV”), which is calculated daily. The CAMP pool is managed to maintain a dollar-weighted portfolio maturity of 60 days or less and seeks to maintain a constant NAV of one dollar per share.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The market value of LAIF investments represented 2.2% and 15.1% of the District’s total investment market value at June 30, 2023 and 2022, respectively. The market value of CAMP investments represented 25.1% and 15.0% at June 30, 2023 and 2022, respectively.

Note 6 – Capital Assets

A summary of changes in capital assets during 2023 is as follows (in thousands):

	Beginning Balance 2022 (as restated)	Additions	Deletions	Transfers	Ending Balance 2023
Land	$ 17,542	$ -	$ -	$ -	$ 17,542
Buildings and improvements	425,542	787	(783)	1,559	427,105
Equipment	325,209	11,255	(7,801)	-	328,663
Construction in progress	15,620	11,352	-	(1,559)	25,413
	783,913	23,394	(8,584)	-	798,723
Less: accumulated depreciation and amortization	459,744	33,611	(6,818)	-	486,537
	$ 324,169	$ (10,217)	$ (1,766)	$ -	$ 312,186

A summary of changes in capital assets during 2022 is as follows (in thousands):

	Beginning Balance 2021	Additions	Deletions	Transfers	Ending Balance 2022 (as restated)
Land	$ 17,542	$ -	$ -	$ -	$ 17,542
Buildings and improvements	384,399	1,254	-	39,889	425,542
Equipment	316,636	7,077	(60)	1,556	325,209
Construction in progress	53,113	3,952	-	(41,445)	15,620
	771,690	12,283	(60)	-	783,913
Less: accumulated depreciation and amortization	427,169	32,670	(95)	-	459,744
	$ 344,521	$ (20,387)	$ 35	$ -	$ 324,169

Note 7 – Health-Related Investments

The following table summarizes the District's health-related investments recorded on the equity method at June 30 (in thousands):

	2023	2022
Cypress Company, LLC	$ 653	$ 648
Sequoia Surgery Center, LLC	1,047	967
Northwest Visalia Senior Housing, LLC	66	941
Sequoia Integrated Health Plan, LLC	888	1,025
202 West Willow, LLC	-	955
Visalia Kidney Center	187	84
	$ 2,841	$ 4,620

Investment in Cypress Company, LLC ("CyCo") – In August 2010, Cypress Surgery Center formed CyCo, a real estate holding company organized as a California limited liability company, and transferred all of its real property and associated real estate debt, along with certain other assets and liabilities, to CyCo. The District holds a 40% investment in CyCo.

Investment in Sequoia Surgery Center, LLC (formerly Cypress Surgery Center) – At June 30, 2017, the District held a 31% investment in a free-standing ambulatory surgery center located within the District. In August 2010, Cypress Surgery Center completed a "merger" with the Center for Ambulatory Medicine and Surgery ("CAMS"), a local ambulatory surgery center, and changed its legal name to Sequoia Surgery Center, LLC, as well as its organizational structure from a California limited partnership to a California limited liability company. To effect the merger, Cypress Surgery Center acquired 100% of the assets and outstanding ownership interests of CAMS in exchange for approximately 52% ownership in Cypress Surgery Center (now Sequoia Surgery Center, LLC). As a result of this acquisition, the District's ownership interest in Sequoia Surgery Center, LLC was diluted from 64.9% to approximately 31%. Sequoia Surgery Center, LLC, leases its ambulatory surgery center facility from CyCo.

Investment in Northwest Visalia Senior Housing, LLC – In January 2017, the District made its initial capital contribution to establish its investment in a joint venture company. Northwest Visalia Senior Housing, LLC was formed in furtherance of the members' elder care mission and to put into practice innovative approaches to care of the elderly, simultaneously addressing the housing and health care needs of the elderly. This will be accomplished in part by constructing, developing, owning, maintaining, and operating a full service assisted living retirement facility in Visalia, California. Northwest Visalia Senior Housing, LLC is owned 33.33% by the District, 33.33% by Shannon Senior Care, LLC, 20% by BTV Senior Housing, LLC, and 13.34% by Millennium Advisors, Inc. The District has recorded its interest in the joint venture based upon its initial capital contributions.

Investment in Sequoia Integrated Health, LLC – In August 2016, the District made its initial capital contribution to establish its investment in a joint venture company formed in furtherance of the members' common purpose to better serve and coordinate health care services for the communities of Tulare and Kings Counties, and to own and operate an integrated delivery network in California and activities incident thereto. Sequoia Integrated Health, LLC is owned 50% by the District, 25% by Key Medical Group, Inc., and 25% by Foundation for Medical Care of Tulare and Kings Counties, Inc. The District has recorded its interest in the joint venture based upon its initial capital contributions.

Investment in Quail Park Retirement Village, LLC – The District holds an investment in a joint venture company that operates an assisted living facility in Visalia, California. The joint venture company, Quail Park Retirement Village, LLC, is owned 44% by the District and 56% by Living Care Visalia, LLC, and its affiliated investors. Under the terms of the joint venture agreement, the District has an option to purchase an additional 5% of Living Care Visalia, LLC's equity interest at fair market value determined at the time of sale. Distributions have exceeded initial capital contributions resulting in a deficit equity position for Quail Park Retirement Village, LLC. The District has recorded its interest in the joint venture company at $0 in accordance with U.S. GAAP as the District is not liable for obligations of the joint venture company.

Investment in Laurel Court at Quail Park, LLC – In June 2011, the District made its initial capital contribution to establish its investment in a joint venture company formed to construct, develop, own, maintain, and operate a full service memory care retirement facility in Visalia, California. The joint venture company, Laurel Court at Quail Park, LLC, is owned 44% by the District and 56% by Living Care Visalia, LLC. Distributions have exceeded initial capital contributions resulting in a deficit equity position for Laurel Court at Quail Park, LLC. The District has recorded its interest in the joint venture company at $0 in accordance with U.S. GAAP as the District is not liable for obligations of the joint venture company.

Investment in 202 West Willow, LLC – The District received a donation of 3,000 shares in a California limited liability company that owns and rents a 32,293 square foot medical building. The District recorded the investment based upon its allocated capital account balance at the time of the contribution. The District has 30% ownership interest in 202 West Willow, LLC. The 202 West Willow Medical Building sold in June 2023 and the related investment interest was eliminated.

Income or loss from equity method investments is included in other revenues in the corresponding consolidated statements of revenues, expenses, and changes in net position.

Note 8 – Intangible Right-to-Use Assets and Lease Liabilities and Intangible Right-to-Use SBITA Assets and SBITA Liabilities

Intangible Right-to-Use Assets and Lease Liabilities – The District is a lessee for noncancelable leases of buildings with lease terms through 2026. There are no residual value guarantees included in the measurement of the District's lease liabilities nor recognized as an expense for the years ended June 30, 2023 and 2022. The District does not have any commitments that were incurred at the commencement of the leases. The District is subject to variable equipment usage payments that are expenses when incurred. There were no amounts recognized as variable lease payments as lease expense on the combined statements of revenues, expenses and changes in net position for the years ended June 30, 2023 and 2022. No termination penalties were incurred during the fiscal year.

The following table summarizes the District's intangible right-to-use assets at June 30, 2023 and 2022 (in thousands):

	Balance as of June 30, 2022	Increases	Decreases	Balance as of June 30, 2023
Right-to-use assets	$ 23,462	$ 6,771	$ (12,689)	$ 17,544
Less: accumulated amortization	(9,086)	(4,434)	7,225	(6,295)
Right-to-use assets, net	$ 14,376	$ 2,337	$ (5,464)	$ 11,249

	Balance as of July 1, 2021	Increases	Decreases	Balance as of June 30, 2022
Right-to-use assets	$ 22,372	$ 1,090	$ -	$ 23,462
Less: accumulated amortization	(4,465)	(4,621)	-	(9,086)
Right-to-use assets, net	$ 17,907	$ (3,531)	$ -	$ 14,376

The following table summarizes the District's lease liabilities at June 30 (in thousands):

	Balance as of June 30, 2022	Increases	Decreases	Balance as of June 30, 2023
Lease liabilities	$ 14,677	$ 6,771	$ (10,093)	$ 11,355

	Balance as of July 1, 2021	Increases	Decreases	Balance as of June 30, 2022
Lease liabilities	$ 18,095	$ 1,090	$ (4,508)	$ 14,677

The future lease liabililty principal and interest lease payments as of June 30, 2023 were as follows (in thousands):

Years Ending June 30,	Principal Payments	Interest Payments	Total
2024	$ 2,614	$ 200	$ 2,814
2025	2,023	171	2,194
2026	1,564	145	1,709
2027	1,217	121	1,338
2028	951	100	1,051
2029–2033	2,986	236	3,222
	$ 11,355	$ 973	$ 12,328

The District evaluated the intangible right-to-use assets for impairment and determined there was no impairment for the years ended June 30, 2023 and 2022.

Intangible Right-To-Use SBITA Assets and SBITA Liabilities – The District entered into various agreements for information technology subscriptions. These agreements range in terms through 2027. Total subscription payments were $3,365,000 and $2,636,000 for the years ended June 30, 2023 and 20222, respectively. Variable payments based upon the use of the underlying SBITA asset are not included in the subscription liability because they are not fixed in substance — therefore, these payments are not included in SBITA assets or SBITA liabilities. There were no variable subscription expenses or payments in the fiscal years ended June 30, 2023 and 2022.

The following tables summarize the District's intangible right-to-use SBITA assets at June 30, 2023 and 2022 (in thousands):

	Balance as of June 30, 2022 (as restated)	Increases	Decreases	Balance as of June 30, 2023
Right-to-use assets	$ 10,430	$ 2,604	$ -	$ 13,034
Less: accumulated amortization	(1,472)	(3,145)	-	(4,617)
Right-to-use assets, net	$ 8,958	$ (541)	$ -	$ 8,417

	Balance as of July 1, 2021 (as restated)	Increases	Decreases	Balance as of June 30, 2022 (as restated)
Right-to-use assets	$ 2,335	$ 8,095	$ -	$ 10,430
Less: accumulated amortization	-	(1,472)	-	(1,472)
Right-to-use assets, net	$ 2,335	$ 6,623	$ -	$ 8,958

The following table summarizes the District's SBITA liabilities at June 30 (in thousands):

	Balance as of June 30, 2022 (as restated)	Increases	Decreases	Balance as of June 30, 2023
SBITA liabilities	$ 7,848	$ 2,579	$ (3,267)	$ 7,160

	Balance as of July 1, 2021 (as restated)	Increases	Decreases	Balance as of June 30, 2022 (as restated)
SBITA liabilities	$ 2,335	$ 8,095	$ (2,582)	$ 7,848

The future SBITA liability principal and interest lease payments as of June 30, 2023 were as follows (in thousands):

Years Ending June 30,	Principal Payments	Interest Payments	Total
2024	$ 2,734	$ 118	$ 2,852
2025	2,555	69	2,624
2026	1,421	28	1,449
2027	355	6	361
2028	95	1	96
	$ 7,160	$ 222	$ 7,382

The District evaluated the intangible right-to-use SBITA assets for impairment and determined there was no impairment for the years ended June 30, 2023 and 2022.

The District entered into additional subscription agreements with total undiscounted subscription payments of $6.1 million that have yet to commence as of June 30, 2023 .

Note 9 – Bonds and Note Payable

Bonds payable – During January 2014, the District issued $48.9 million of Kaweah Delta Health Care District General Obligation Refunding Bonds, Series 2014, at rates of 3.6% to 4.1%, solely to advance refund $47.3 million of the outstanding 2004 General Obligation bonds, bearing interest rates of 5.0% to 5.5%. Mandatory sinking fund redemption payments on the bonds began on August 1, 2015. The final maturity of the bonds is August 1, 2034. The advance refunding of the 2004 bonds resulted in decreased debt service payments of approximately $6.3 million over the next 21 years, and an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $4.3 million.

The general obligation bonds represent the general obligation of the District. The District has the power and is obligated to cause annual ad valorem taxes to be levied upon all property within the District, subject to taxation by the District, and collected by the County for payment, when due, of the principal and interest on the bonds.

During October 2015, the District issued $19.4 million of Kaweah Delta Health Care District Revenue Bonds, Series 2015A. The 2015A revenue bonds bear interest at a rate of 2.975%. The net proceeds were used to prepay existing debt, including a portion of the 2006 and 2011B revenue bonds as well as the outstanding amount of the 2003A and 2011A revenue bonds. The 2015A revenue bonds maturing on or after June 1, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to the principal amount of the bonds, without premium. The current refunding of the 2003A and 2006 bonds and the advanced refunding of the 2011A and 2011B bonds resulted in decreased debt service payments of approximately $3.9 million over the next 18 years, and an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $3.0 million.

During December 2015, the District issued $98.4 million of Kaweah Delta Health Care District Revenue Bonds, Series 2015B. The 2015B revenue bonds bear interest rates of 3.25% to 5.0%. The net proceeds were for the acquisition, construction, installation, and equipping of the second, fifth, and sixth floors of the Kaweah Delta Medical Center's Acequia Wing, expansion and improvement of the emergency department, expansion of outpatient endoscopy services, acquisition and implementation of a new information technology platform (Cerner), acquisition and construction of a new urgent care center, improvements to the Exeter Health Clinic campus, and other projects. The 2015B revenue bonds, maturing on or after June 1, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to the principal amount of the bonds, without premium.

During December 2017, the District issued $59.5 million Series 2017C of Kaweah Delta Health Care District Revenue Bonds. The 2017C revenue bonds bear interest at a rate of 2.71%. The net proceeds were used to refund $46.0 million of the 2012 revenue bonds and to prepay the remaining 2011 Siemens lease obligation. The 2017C revenue bonds maturing on or after June 1, 2028, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to the principal amount of the bonds, without premium. The advance refunding of the 2012 revenue bonds and lease obligations resulted in decreased debt service payments of approximately $8.6 million over the next 24 years and an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $5.9 million.

During January 2020, the District issued $6.8 million Series 2020A and $8.2 million Series 2020B of Kaweah Delta Health Care District Revenue Bonds. Both the 2020A and the 2020B revenue bonds bear interest at a rate of 2.37%. The net proceeds were used to fund capital projects and equipment. The 2020A and 2020B revenue bonds, maturing on or after June 1, 2020 to May 31, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to 102% of the principal amount of the bonds. The 2020A and 2020B revenue bonds, maturing on or after June 1, 2025 to May 31, 2030, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to 101% of the principal amount of the bonds. The 2020A and 2020B revenue bonds, maturing on or after June 1, 2030, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to the principal amount of the bonds, without premium.

During April 2022, the District issued $32.0 million Series 2022 Kaweah Delta Health Care District Revenue Refunding Bonds. The revenue bonds bear interest at a rate of 2.0%. The net proceeds were used to prepay existing debt, including the remaining 2017A and 2017B bonds. The 2022 revenue bonds, maturing on or after June 1, 2022 to May 31, 2023, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to 102% of the principal amount of the bonds. The 2022 revenue bonds, maturing on or after June 1, 2023 to May 31, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to 101% of the principal amount of the bonds. The 2022 revenue bonds, maturing on or after June 1, 2025, are subject to redemption at the option of the District prior to their respective stated maturities at a price equal to the principal amount of the bonds, without premium. The current refunding of the 2017A and 2017B bonds resulted in decreased debt service payments of approximately $1.3 million over the next nine years and an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $1.2 million.

Principal and interest payments due on the revenue and general obligation bonds over the next five years, and in five-year increments thereafter, calculated at the interest rate in effect at June 30, 2023, are as follows (in thousands):

Years Ending June 30,	Principal	Interest
2024	$ 12,159	$ 8,094
2025	12,585	7,748
2026	13,014	7,400
2027	13,454	7,035
2028	13,919	6,649
2029–2033	66,106	27,195
2034–2038	39,045	19,099
2039–2043	44,630	10,434
2044–2047	22,860	1,381
	237,772	$ 95,035
Unamortized premium	1,765	
	239,537	
Less: current portion	12,159	
	$ 227,378	

The bond indenture agreements contain various restrictive covenants that include, among other things, minimum debt service coverage, maintenance of minimum liquidity, restrictions on certain additional indebtedness, and requirements to maintain certain financial ratios. Because the District's debt service coverage ratio fell below a certain level for 2023, in accordance with the Revenue Bond's Continuing Disclosure Agreement the District has hired an independent consultant to make recommendations to the District. By retaining the independent consultant, the District remains in compliance with its debt service coverage ratio covenant.

The District paid approximately $8.7 million and $9.3 million in interest in 2023 and 2022, respectively, on all debt, including revenue and general obligation bonds, and notes payable. The District capitalized no interest expense in fiscal years 2023 and 2022.

A summary of changes in bonds payable for the years ended June 30, is as follows (in thousands):

	Beginning Balance	Additions	Payments	Ending Balance
2023	$ 249,531	$ -	$ 11,759	$ 237,772
2022	$ 259,222	$ 32,035	$ 41,726	$ 249,531

Notes payable – To offset the delay and assist with the cash flow issues caused by the change from PRIME to QIP, the State legislature authorized the California Health Facilities Financing Authority (“CHFFA”) to provide low-cost working capital loans to eligible nondesignated public hospitals to assist with their operations. This program is referred to as the CHFFA Bridge Loan Program. The District received loans in phase one of the program totaling $ 7.9 million and totaling $9.8 million in phase two. The loans mature 24 months from loan execution and the proceeds are to be used for working capital expenditures. The loans have no interest but were offset by a 1% loan fee at distribution. The loans are subordinate to the revenue bonds but are secured by an interest in future Medi-Cal payments.

A summary of changes in notes payable for the years ended June 30, is as follows (in thousands):

	Beginning Balance	Additions	Payments	Ending Balance
2023	$ 7,895	$ 9,850	$ -	$ 17,745
2022	$ -	$ 7,895	$ -	$ 7,895

Note 10 – Self-Insured Claims

As discussed in Note 1, the District is self-insured for medical malpractice and general comprehensive liability, medical benefits, and workers’ compensation, and discounts the medical malpractice and general comprehensive and workers’ compensation liabilities using a 3.0% and 3.7% discount rate, respectively. The following is a summary of the changes in the self-insured plan liabilities, included in accounts payable and accrued expenses, accrued payroll and related liabilities, and other long-term liabilities on the consolidated statements of net position for the years ended June 30 (in thousands):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
2023	$ 30,210	$ 37,896	$ 40,515	$ 27,591	$ 9,856
2022	$ 31,465	$ 33,735	$ 34,990	$ 30,210	$ 11,465

Note 11 – Employees’ Retirement Plan

The Kaweah Delta Health Care District’s Employees’ Retirement Plan (the “Retirement Plan”) is a single-employer defined benefit pension plan established to provide retirement benefits for District employees based on length of service and the average of the highest consecutive three years of earnings. The Retirement Plan is administered by a retirement plan committee appointed by the Board of the District. The Retirement Plan issues a separate financial report that includes financial statements and required supplemental information.

Employees were eligible to participate on the first day of a pay period following six months of service if hired prior to January 1, 2003, and elected not to participate in the salary deferral plan's matching contribution component. Employees hired on or after January 1, 2003 were not eligible to participate in the Retirement Plan. Employees' retirement benefits vested 100% after five years of completed service.

Effective June 30, 2011, the Retirement Plan was amended to suspend all accruals and otherwise freeze benefits under the plan.

The Retirement Plan complies with the IRC and is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). As a government plan, the Retirement Plan is exempt from the annual minimum funding requirements of ERISA. The Retirement Plan's funding policy is to contribute an annual amount necessary to amortize any unfunded net pension liability over a 15-year period. The District made no contributions to the plan in 2023 but contributed $11.4 million to the plan in 2022.

Investment activities of the Retirement Plan are governed by sections of the California Government Code, which allow any type of prudent investment. The Plan's investment policy is intended to assist the Retirement Committee (the "Committee") in prudently evaluating investment options and establishing an allocation strategy for the assets of the Plan. The objective of the Committee is to ensure the security of all accrued benefits. The Committee's asset allocation strategy is predicated on meeting its objective with a desire to effectively manage funded status volatility and mitigate undue risk exposure, taking into consideration performance expectations, risk tolerance and volatility, liquidity, and the Plan's time horizon. An analysis of Plan liabilities, projected liquidity needs and assets is used to determine the Plan's long-term investment strategy. The Committee intends to utilize a range of investment alternatives to achieve the return and risk objectives of the Plan.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement Plan's investment in a single issuer. As of June 30, 2023, there were no investments exceeding 5% of the Plan's total investments. There were no investments held with a single corporate or government agency issuer that exceeded 5% of the Plan's total investments (excluding investments issued by the U.S. government and mutual funds that are exempt from reporting).

There were no other concentrations of investments at or exceeding 5% of the Retirement Plan's fiduciary net position (excluding investments issued by the U.S. government and mutual funds that are exempt from reporting).

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The mutual funds are priced using a NAV. The mutual funds may include several different underlying investments, including equities, bonds, real estate, and global securities. The NAV price is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees, and other fund expenses. Certain investments within the fund may be deemed unobservable and not considered to be in an active market.

The following tables present the fair value measurements of financial instruments recognized by the Retirement Plan in the accompanying fiduciary statements of net position measured at fair value on a recurring basis and the level within the GASB Statement No. 72, *Fair Value Measurement and Application,* fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

	Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,628	$ -	$ -	$ 4,628
Fixed income investments	49,619	12,525	-	62,144
Equity securities	205,220	-	-	205,220
Total assets in the fair value hierarchy	$ 259,468	$ 12,525	$ -	$ 271,992

	Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,587	$ -	$ -	$ 19,587
Fixed income investments	38,771	23,050	-	61,821
Equity securities	183,397		-	183,397
Total assets in the fair value hierarchy	$ 241,755	$ 23,050	$ -	$ 264,805

The District uses a measurement date of June 30 for each year presented. The actuarial valuation for fiscal years 2023 and 2022 is based on participant data as of June 30, 2022 and 2021, respectively. Update procedures were used to roll forward the total pension liability to the measurement date.

Components of pension cost and deferred outflows and deferred inflows of resources under the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendement of GASB Statement No. 27,* are as follows for the years ended June 30 (in thousands):

	2023	2022
PENSION COST		
Administrative expense	569	305
Interest	22,205	21,703
Expected return on assets, net of investment expenses	(19,199)	(23,616)
Recognition of deferred outflows	6,500	(10,479)
Recognition of deferred inflows	2,849	15,929
Total pension cost	$ 12,924	$ 3,842
DEFERRED OUTFLOWS OF RESOURCES		
Established July 1:		
Difference between expected and actual experience	$ 6,487	$ 2,798
Net difference in expected and actual earnings	23,513	33,504
Changes in assumptions	306	(143)
Deferred outflows of resources, beginning of year	30,306	36,159
AMOUNT RECOGNIZED IN CURRENT YEAR PENSION COST		
Established July 1:		
Difference between expected and actual experience	4,687	2,222
Net difference in expected and actual earnings	4,356	3,677
Changes in assumptions	307	(448)
Amount recognized in current year	9,350	5,451
Deferred outflows of resources, end of year	$ 20,956	$ 30,708

Amounts reported as deferred outflows of resources to be recognized in pension cost for future years (in thousands):

Years Ending June 30,	
2024	$ 6,624
2025	2,294
2025	13,302
2026	(1,263)
	$ 20,957

Participant data for the plan is as follows for June 30:

	2023	2022
Active employees	546	598
Terminated vested	1,002	1,010
Retirees receiving benefits	904	851
Total participants	2,452	2,459

The following table summarizes changes in net pension liability for the years ended June 30 (in thousands):

	2023	2022
TOTAL PENSION LIABILITY		
Service cost	$ -	$ -
Interest	22,205	21,703
Differences between expected and actual experience	5,911	1,506
Changes in assumptions	-	778
Benefit payments	(17,730)	(16,832)
NET CHANGES IN TOTAL PENSION LIABILITY	10,386	7,155
TOTAL PENSION LIABILITY, beginning of year	304,929	297,774
TOTAL PENSION LIABILITY, end of year	315,315	304,929
PLAN FIDUCIARY NET POSITION		
Employer contributions	-	11,400
Net investment gain (loss)	25,513	(49,170)
Benefit payments	(17,730)	(16,832)
Administrative expenses	(569)	(305)
NET CHANGES IN PLAN FIDUCIARY NET POSITION	7,214	(54,907)
PLAN FIDUCIARY NET POSITION, beginning of year	265,140	320,047
PLAN FIDUCIARY NET POSITION, end of year	272,354	265,140
NET PENSION LIABILITY, end of year	$ 42,961	$ 39,789
Plan fiduciary net position as percentage of total pension liability	86.38%	86.95%
Covered employee payroll	N/A	N/A
Net pension liability as percent of covered payroll	N/A	N/A

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2023:

Valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Asset valuation method	Fair Value
Actuarial assumptions (including 2% inflation):	
Discount Rate	7.50%
Mortality	RP-2014 table, projected using MP-2021
Projected Salary Increases	N/A

The mortality assumptions are updated annually with the most recent tables published by the Society of Actuaries, if any.

Sensitivity of Net Pension Liability at June 30, 2023, to changes in the Discount Rate (in thousands):

1% Decrease (6.50%)	$74,411
Current Discount Rate (7.50%)	$42,961
1% Increase (8.5%)	$16,286

The District also administers a salary deferral plan (the “Salary Plan”) available to substantially all full-time employees meeting certain service requirements. The Salary Plan qualifies under the IRC Section 401(k) and was established to provide supplemental retirement income for employees of the District. Under the Salary Plan, the District makes matching contributions to participants in accordance with an established schedule based upon each participant’s years of service with the District. The District made matching contributions of $4.2 million and $0 in 2023 and 2022, respectively. The District recognized pension expense of $2.5 million and $1.4 million related to the Salary Plan in 2023 and 2022, respectively. The liability related to the Salary Plan was $2.5 million and $3.8 million at June 30, 2023 and 2022, respectively. The Salary Plan does not meet the definition of a blended component unit or a fiduciary activity.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in the District contributions and earnings on District contributions after completion of five years of service. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to offset future District contributions. For the years ended June 30, 2023 and 2022, forfeitures reduced the District’s pension expense by $0 and $412,000, respectively.

The District offers its employees a deferred compensation plan (the “457 Plan”) created in accordance with IRC Section 457. The 457 Plan, available to all District employees with at least one year of service, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or certain emergency situations. The 457 Plan does not meet the definition of a blended component unit or a fiduciary activity.

Note 12 – Commitments

At June 30, 2023, the District has projects in progress to construct, improve, and equip various routine, ancillary, and support services. Major projects in progress include the implementation of a new ERP software system, the construction of a third CT suite, the purchase and remodel of a pediatric crisis stabilization facility, and various improvement projects to existing facilities. Total costs expended as of June 30, 2023, related to these projects and others are approximately $26.3 million. The total estimated cost of these projects at completion is approximately $37.8 million, of which approximately $33.1 million has been expended or contractually obligated. Funding for the projects is expected to include a combination of revenue bond funds, operating cash flows, community donations, and funded reserves.

The District has entered into various physician income guarantees whereby, pursuant to the terms in the agreement, the District has extended income guarantees to certain doctors in exchange for the doctors maintaining a medical practice in the District's service area. Payments under the guarantees are expected to be forgiven over a two to three-year period, should the physician remain in practice in the community. If a doctor terminates his medical practice in the community prior to the completion of the term, the remaining balance under the guarantee is immediately due and payable. The District records expenses under these guarantees as payments are made to physicians. Accounts receivable are recorded when defaults under the agreements occur and are evaluated for collectability.

Note 13 – Contingencies

Malpractice, workers' compensation, and comprehensive general liability claims have been asserted against the District by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through June 30, 2023, that may result in the assertion of additional claims. District management has accrued their best estimate of these contingent losses.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Over the last several years, government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayment of previously billed and collected revenue for patient services. Management believes that the District is in substantial compliance with current laws and regulations and that any potential liability arising from compliance issues have been properly reflected in the District's consolidated financial statements or are not considered to be material to the District's financial position and results of operations as of and for the year ended June 30, 2023 and 2022.

As disclosed in Note 1, the Medicare and Medi-Cal government reimbursement programs account for a substantial amount of the District's net patient services revenue. Expenditure reduction efforts and budget concerns within the United States, and California legislature continue to create uncertainty over the volume of future health care funding. It is at least reasonably possible that future reimbursements for patient services under these programs could be negatively impacted.

Note 14 – Intergovernmental and Direct Grant Supplemental Payment Programs

The District participates in various supplemental payment programs administered by the State of California including intergovernmental transfer and direct grant funding mechanisms. A summary of these programs is as follows:

Quality Assurance Fee Managed Care Medi-Cal Payment Program – The District receives payments under the Quality Assurance Fee ("QAF") Managed Care Medi-Cal payment program. The California Hospital Fee Program (the "Program") was signed into law by the Governor of California and became effective on April 1, 2009. The Program is ongoing but requires an extension or revision of the methodology approved by CMS periodically. The Program required a "hospital fee" or "QAF" to be paid by certain hospitals to a state fund established to accumulate the assessed QAF and receive matching federal funds. QAF and corresponding matching federal funds are then paid to participating hospitals in two supplemental payment methodologies: a fee-for-service methodology and a managed care plan methodology.

In the 2009-10 Program, the District, as a nondesignated public hospital ("NDPH") in California, was not subject to the QAF assessment according to the legislation, but rather received net supplemental payments. The Program evolved in 2010 through 2014, with District hospitals participating in a variety of ways. Legislation for the Program that ran from January 1, 2014 through December 31, 2016 ("SB239"), allowed for direct grant funding for rural District hospitals and additional funding available in the form of Intergovernmental Transfer ("IGT") payments offered for a match of funding. Passage of Proposition 52 in November 2016, made SB239 permanent and allowed for the creation of the HQAF V program that provides for direct grants for District hospitals as well as IGT-generated funding. The HQAF V program runs from January 1, 2017 through December 31, 2019. The HQAF VI program runs from January 1, 2019 through December 31, 2020. In fiscal years 2023 and 2022, the District recognized QAF program related net patient services revenue of $18.5 million and $16.1 million, respectively.

NDPH IGT Program – The District also receives AB113 IGT fee-for-service ("FFS") Medi-Cal Inpatient payments. Legislation in March 2011 ("SB 90") extended the QAF Program for the period from January 1, 2011, through June 30, 2011; however, the extension under SB 90 included only private hospitals and thus excluded the District related to the FFS portion of the QAF Program. As an alternative, the NDPH IGT Program was established under AB 113 in 2011 to allow NDPH facilities to access additional federal funds. Under this legislation, the District recognized net patient services revenue of a $5.4 million increase and a $7.4 million increase related to this program for the years ended June 30, 2023 and 2022, respectively.

Rate Range IGT Program – The District receives "Rate Range" IGT managed Medi-Cal payments. Federal rules allow that NDPH facilities may access managed care rate range room as determined by negotiations with Medi-Cal managed care plans. As defined by law, rate range room is the difference between the amount that the State pays the managed care plans, referred to as a "lower bound" rate, and the maximum allowed, or the "upper bound" rate. This difference, or rate range, is then available through supplemental IGT payments to public entities that participate in the program in each county. The District recognized net patient services revenue of $19.0 million and $24.4 million related to this program in fiscal years 2023 and 2022, respectively.

Public Hospital Redesign and Incentives in Medi-Cal Program –The Public Hospital Redesign and Incentives in Medi-Cal ("PRIME") program was approved as a part of the Medi-Cal 2020 Section 1115 demonstration waiver. The program participants included both designated public hospitals and district and municipal public hospitals. PRIME supported activities encourage participants to improve the manner in which care is delivered in order to maximize health care value and also to position participants to successfully transition managed care payments to alternative payment methodologies. The District's participation in the program in 2016, its initial year of participation, and 2017 included creating the five-year implementation plan, completing related process measures, and developing PRIME project infrastructure. Participation in 2018 included submission of baseline data, and participation in 2019 and 2020 included the measurement and achievement of quality improvement metrics. The State of California's share of the Medi-Cal funding for the PRIME program was furnished by IGT's from the participants. Beginning January 1, 2021, district and municipal public hospitals transitioned from PRIME to the Quality Incentive Pool ("QIP") program. QIP shares the goals of PRIME and will allow public hospitals to continue to work on quality initiatives begun in PRIME. The State will direct managed care plans to make QIP payments tied to performance on designated performance metrics that are linked to delivery of service and quality outcomes. To receive the QIP payments the public hospitals must achieve specified improvement targets, which grow more difficult through year-over–year improvement or sustained high performance requirements. The District recognized other operating revenue of $8.7 million and $15.8 million related to the PRIME and QIP programs in fiscal years 2023 and 2022, respectively.

Provider relief funds – The District received approximately $15.1 million in related grants in fiscal year 2022 but none in 2023. The District was required to and did timely sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are used for health care related expenses or lost revenue attributable to the coronavirus, limitations of out-of-pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. It is noted that anti-fraud monitoring and auditing will be performed by HHS and the Office of the Inspector General. For the years ended June 30, 2023 and 2022, the District has determined it met the terms and conditions of the CARES Act, and has recorded stimulus fund revenue $0 million and $15.1 million, respectively, of the PRF in nonoperating revenues in the consolidated statements of revenues, expenses, and changes in net position. Refunding of amounts received may be required by the CARES Act if a receiving entity is unable to quantify the financial losses intended to be covered by funding. The District continues to reconcile and analyze its health care related expenses and lost revenue based on known reporting guidance.

Other stimulus funds – The District received approximately $681,000 million and $3.1 million in related grants in fiscal year 2023 and fiscal year 2022, respectively. The District entered into contracts agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are used for health care related expenses attributable to the coronavirus, limitations of out-of-pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. For the years ended June 30, 20*23* and 2022, the District has determined it met the terms and conditions of these stimulus funds and has recorded stimulus fund revenue $681,000 and $3.1 million, respectively, in nonoperating revenues in the consolidated statements of revenues, expenses, and changes in net position.

Note 15 – Restatement

The adoption of GASB No. 96 resulted in adjustments to the prior period financial statements as follows at June 30, 2022:

	As Previously Presented	Adjustment	As Restated
Statements of net position			
Assets and deferred outflows:			
Prepaid expenses	$ 13,050	$ (1,121)	$ 11,929
Intangible right-of-use SBITA assets	$ -	$ 8,958	$ 8,958
Liabilities, deferred inflows of resources, and net position:			
Accounts payable and accrued expenses	$ 36,358	$ 216	$ 36,574
SBITA liability, current portion	$ -	$ 2,583	$ 2,583
SBITA liability, net of current portion	$ -	$ 5,265	$ 5,265
Total net position, end of year	$ 465,710	$ (47)	$ 465,663
Statements of revenues, expenses, and changes in net position			
Repairs and maintenance	$ 28,415	$ (1,479)	$ 26,936
Depreciation and amortization	$ 37,433	$ 1,472	$ 38,905
Interest expense	$ (8,954)	$ (54)	$ (9,008)
Operating loss	$ (30,045)	$ 7	$ (30,038)
Loss before capital contributions	$ (25,567)	$ (47)	$ (25,614)
Changes in net position	$ (20,456)	$ (47)	$ (20,503)
Statements of cash flows			
Cash flows from operating activities:			
Cash payments for other operating expenses	$ (447,996)	$ 2,600	$ (445,396)
Net cash from operating activities	$ (105,858)	$ 2,600	$ (103,258)
Cash flows from capital and related financing activities:			
Interest payments on lease and SBITA liabilities	$ (73)	$ (54)	$ (127)
Principal payments on lease and SBITA liabilities	$ (4,507)	$ (2,546)	$ (7,053)
Net cash from capital and related financing activities	$ (19,670)	$ (2,600)	$ (22,270)
Reconciliation of operating loss to net cash provided by operating activites:			
Depreciation and amortization	$ 37,433	$ 1,472	38,905
Accounts payable and accrued expenses, accrued payroll related liabilities, lease liabilities, Medicare accelerated payments payable, and other long-term liabilities	$ (60,083)	$ 1,121	$ (58,962)
Net cash from operating activities	$ (105,858)	$ 2,600	$ (103,258)

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of net position date, but before the consolidated financial statements are issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of net position, including the estimates inherent in the process of preparing the consolidated financial statements. The District's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of net position, but arose after the consolidated statement of net position date and before the consolidated financial statements are issued.

Supplemental Information

Kaweah Delta Health District
Supplemental Pension Information
June 30, 2023 and 2022

The following table summarizes the number of total plan participants at June 30:

	2023	2022
Active employees	546	598
Terminated vested	1,002	1,010
Retirees receiving benefits	904	851
Total participants	2,452	2,459

The following table summarizes changes in net pension liability for the years ended June 30 (in thousands):

	2023	2022
TOTAL PENSION LIABILITY		
Service cost	$ -	$ -
Interest	22,205	21,703
Differences between expected and actual experience	5,911	1,506
Changes in assumptions	-	778
Benefit payments	(17,730)	(16,832)
NET CHANGES IN TOTAL PENSION LIABILITY	10,386	7,155
TOTAL PENSION LIABILITY, beginning of year	304,929	297,774
TOTAL PENSION LIABILITY, end of year	315,315	304,929
PLAN FIDUCIARY NET POSITION		
Employer contributions	-	11,400
Net investment gain (loss)	25,513	(49,170)
Benefit payments	(17,730)	(16,832)
Administrative expenses	(569)	(305)
NET CHANGES IN PLAN FIDUCIARY NET POSITION	7,214	(54,907)
PLAN FIDUCIARY NET POSITION, beginning of year	265,140	320,047
PLAN FIDUCIARY NET POSITION, end of year	272,354	265,140
NET PENSION LIABILITY, end of year	$ 42,961	$ 39,789
Plan fiduciary net position as percentage of total pension liability	86.38%	86.95%
Covered employee payroll	N/A	N/A
Net pension liability as percent of covered payroll	N/A	N/A

The District's actuarially determined contribution and actual contributions, since 2013, are presented in the following table (in thousands):

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Excess	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	$ 3,972	$ 4,058	$ 86	N/A	N/A
2015	2,673	3,720	1,047	N/A	N/A
2016	3,224	5,000	1,776	N/A	N/A
2017	6,879	9,000	2,121	N/A	N/A
2018	5,818	11,400	5,582	N/A	N/A
2019	4,533	11,400	6,867	N/A	N/A
2020	3,466	11,400	7,934	N/A	N/A
2021	4,414	11,400	6,986	N/A	N/A
2022	-	11,400	11,400	N/A	N/A
2023	4,350	-	(4,350)	N/A	N/A
	$ 39,329	$ 78,778	$ 39,449		

Report of Independent Auditors 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
Kaweah Delta Health Care District

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 consolidated financial statements of Kaweah Delta Health Care District (the "District"), which comprise the consolidated statement of net position as of June 30, 2023, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated __________, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 District's consolidated 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated 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 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.

Stockton, California
__________, 2023