

Kaweah Delta Health Care District

Board of Directors Committee Meeting

Health is our Passion. Excellence is our Focus. Compassion is our Promise.

NOTICE

The Audit and Compliance Committee of the Kaweah Delta Health Care District will meet at the Executive Office Conference Room {305 W Acequia Avenue, Visalia, CA} on Monday, August 18, 2025:

- 1:00PM Open Meeting

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.

All Kaweah Delta Health Care District regular board meeting 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 near the Mineral King entrance.

The disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department/Executive Offices) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via phone 559-624-2330 or email: kedavis@kaweahhealth.org, or on the Kaweah Delta Health Care District web page <http://www.kaweahhealth.org>.

KAWEAH DELTA HEALTH CARE DISTRICT

David Francis, Secretary/Treasurer



Kelsie Davis

Board Clerk / Executive Assistant to CEO

DISTRIBUTION:

Governing Board, Legal Counsel, Executive Team, Chief of Staff, www.kaweahhealth.org

Mike Olmos • Zone 1
President

Lynn Havard Mirviss • Zone 2
Vice President

Dean Levitan, MD • Zone 3
Board Member

David Francis • Zone 4
Secretary/Treasurer

Armando Murrieta • Zone 5
Board Member

Kaweah Delta Health Care District

Board of Directors Committee Meeting

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AUDIT AND COMPLIANCE COMMITTEE

Meeting Held: Monday, August 18, 2025 • Executive Office Conference Room

Attending: Board Members: Michael Olmos – Committee Chair, Dean Levitan, M.D.; Gary Herbst, Chief Executive Officer; Malinda Tupper, Chief Financial Officer; Rachele Berglund, Legal Counsel; Ben Cripps, Chief Compliance & Risk Officer; Jill Berry, Director of Corporate Compliance; Amy Valero, Compliance Manager; and Michelle Adams, Executive Assistant – Recording.

Guests: Brian Conner, Baker Tilly; Laura Kennedy, Baker Tilly; Jennifer Stockton, Director of Finance; Kari MacDonald, Finance Accounting & Reimbursement Manager

OPEN MEETING – 1:00 PM

CALL TO ORDER – Michael Olmos, Chair

PUBLIC / MEDICAL STAFF PARTICIPATION – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the jurisdictions of the Board are requested to identify themselves at this time. For those who are unable to attend the beginning of the Board meeting during the public participation segment but would like to address the Board, please contact the Board Clerk (Kelsie Davis 559-624-2330) or kedavis@kaweahhealth.org to make arrangements to address the Board.

1. Opening Audited Financial Statement Kick-Off Fiscal Year 2025 – Brian Conner and Laura Kennedy, Baker Tilly

ADJOURN CLOSED MEETING – Michael Olmos, Chair

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Kaweah Delta Health Care District

2025 Audit Planning

Discussion with Management and
the Audit Committee

August 18, 2025

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Agenda

1. Your Service Team
2. Scope of Services
3. Auditor's Responsibility in a Financial Statement Audit
4. Significant Risks Identified
5. Risks Discussion
6. Consideration of Fraud
7. Audit Timeline
8. Audit Deliverables
9. Expectations
10. Documents Containing Audited Financial Statements and Auditor's Report
11. Recent Accounting Developments
12. Executive Session



Your Service Team



Brian Conner
*Principal,
Engagement
Reviewer*



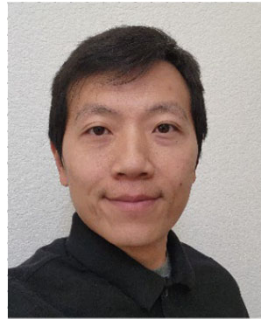
Joelle Pulver
*Principal,
Concurring
Reviewer*



Laura Kennedy
*Senior Manager,
Engagement
Manager*



Todd Schroeder
*Director,
Third-Party
Reimbursement
Practice*



Chris Ng
*Manager,
Single Audit*



Scope of Services

Relationships between Baker Tilly and Kaweah Delta Health Care District:

Annual Audit

Annual consolidated financial statement audit and single audit as of and for the year ending June 30, 2025

Non-Attest Services

- Assist management with drafting the consolidated financial statements as of and for the year ending June 30, 2025
- Assist management with drafting the auditee section of the OMB data collection form
- Assist management with Medicare cost report appeals



Auditor's Responsibilities in a Financial Statement Audit

Auditor is responsible for:

- forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles
- performing 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.
- communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you
- when applicable, communicating particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement

The audit of the financial statements doesn't relieve management or you of your responsibilities.

The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.



Significant Risks Identified

During the planning of the audit we have identified the following significant risks:

Significant Risks	Procedures
Valuation of Patient Accounts Receivable and Patient Service Revenue, IBNR Liabilities	We will perform a lookback analysis to determine if management’s estimate was materially correct at June 30, 2024 based upon cash collections. We will also analyze subsequent cash collections on June 30, 2025 accounts receivable as well as perform analytical procedures on June 30, 2025 accounts receivable and net patient service revenue. Finally, we will perform test procedures on management’s patient accounts receivable allowance model. For IBNR Liabilities, We will evaluate how the District estimates the IBNR accruals to ensure that the estimate is reasonable as compared to actuarial estimates.
Management Override of Controls	We will perform inquiries of accounting and operational personnel, perform risk assessment procedures, and test risk-based manual journal entry selections.



Significant Risks Identified *(continued)*

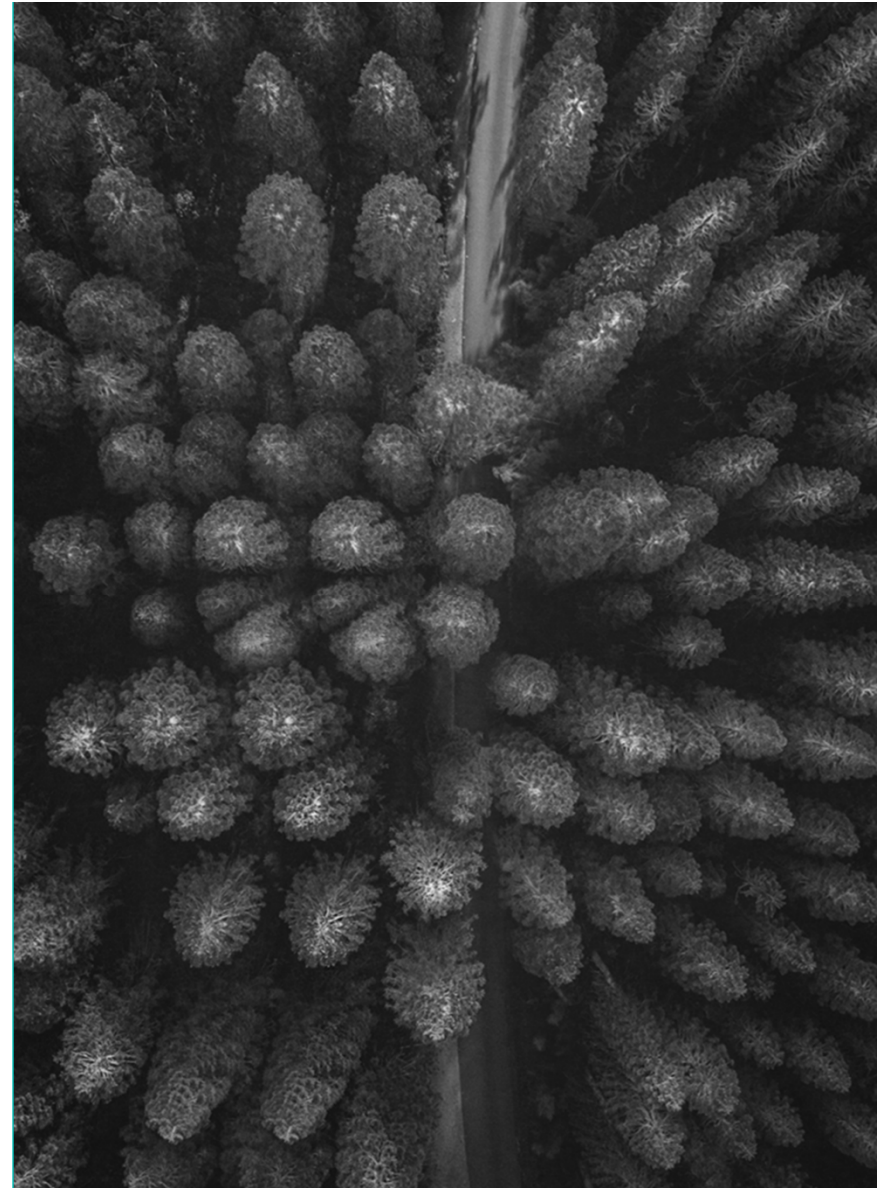
During the planning of the audit we have identified the following significant risks:

Significant Risks	Procedures
Internal Controls over Compliance with Federal Laws, Regulations, and Major Programs	Inquiry and inspection of documents and other information to provide assurance to the federal government that a nonfederal entity has adequate internal controls in place and is generally in compliance with program requirements



Risks Discussion

1. What are your views regarding:
 - Kaweah Delta Health Care District's objectives, strategies and business risks that may result in material misstatements
 - Significant communications between the entity and regulators
 - Attitudes, awareness, and actions concerning
 - Kaweah Delta Health Care District's internal control and importance
 - How those charged with governance oversee the effectiveness of internal control
 - Detection or the possibility of fraud
 - Other matters relevant to the audit
2. Do you have any areas of concern?



Consideration of Fraud in a Financial Statement Audit

Auditor's responsibility: Obtain reasonable assurance the consolidated financial statements as a whole are free from material misstatement – whether caused by fraud or error

To identify fraud-related risks of material misstatement, we:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

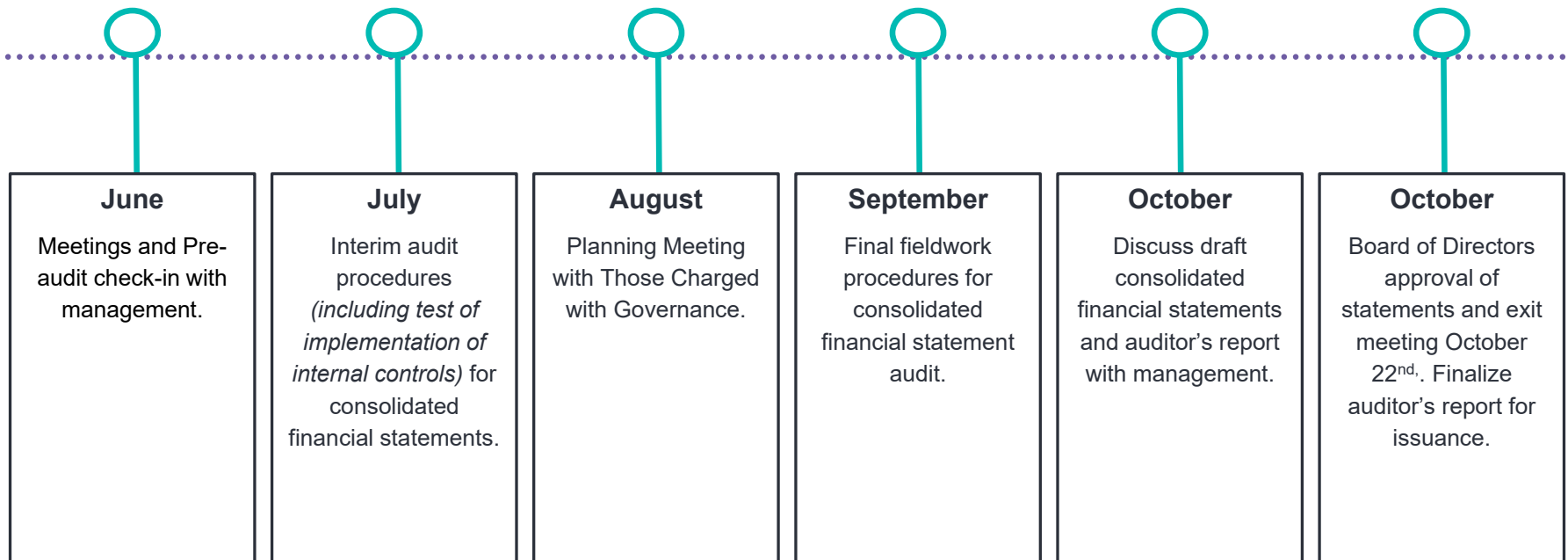
Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions



Audit Timeline

2025



Audit Deliverables



Report of Independent Auditors

on consolidated financial statements as of and for the year ended June 30, 2025



Report to Management

(communicating internal control related matters identified in an audit)



Report to Those Charged With Governance

(communicating required matters and other matters of interest)



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 Audit Standards



Report of Independent Auditors

on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance



Expectations

Kaweah Delta Health Care District will:

- Have no adjusting journal entries after beginning of field work.
- Close books and records before beginning of field work.
- Provide auditor requested information in CAP schedule one week prior to the beginning of fieldwork.

Baker Tilly will:

- Communicate proposed adjustments with management when identified.
- Communicate control deficiencies with management when identified.
- Discuss any additional fees over estimate in engagement letter with management, if applicable.



Documents Containing Audited Financial Statements and Independent Auditor's Report



Our responsibility under generally accepted auditing standards



Request for advance notification when you intend to include audited financial statements and the independent auditor's report in a document



Arrangements to obtain the other information prior to report issuance





Recent Accounting Developments

GASB No. 101 Compensated Absences

- Provides guidance to improve accounting and financial reporting any type of compensated absence liabilities that more appropriately reflects when the obligation is incurred.
 - A liability should be recognized for leave that has not been used if
 - (a) the leave is attributable to services already rendered,
 - (b) the leave accumulates, and
 - (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
 - In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.
 - However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.
 - Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to disclose only the net change in the liability, and label accordingly.
- **Effective for annual periods beginning after December 15, 2023**



GASB No. 102 **Certain Risk Disclosures**

- Improve financial reporting by providing users of financial statements with essential information regarding concentrations and constraints not explicitly required.
 - *Concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. *Constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.
- Concentrations and constraints may limit a government's ability to acquire resources or control spending, thus making the government vulnerable to the risk of a substantial impact, which have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
- Disclosures are required to provide sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:
 - 1) the concentration or constraint;
 - 2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements; and
 - 3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.
- **Effective for annual periods beginning after June 15, 2024.**



GASB No. 103 Financial Reporting Model Improvements

- Provides guidance to improve accounting and financial reporting to ensure comparable, consistent, relevant, reliable, and understandable information.
 - MD&A is limited to the related topics discussed in five sections:
 - (1) overview of the financial statements,
 - (2) financial summary,
 - (3) detailed analyses,
 - (4) significant capital asset and long-term financing activity, and
 - (5) currently known facts, decisions, or conditions.
 - Detailed MD&A analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed.
 - Describes additional requirements related to unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information.
- **Effective for annual periods beginning after June 15, 2025.**



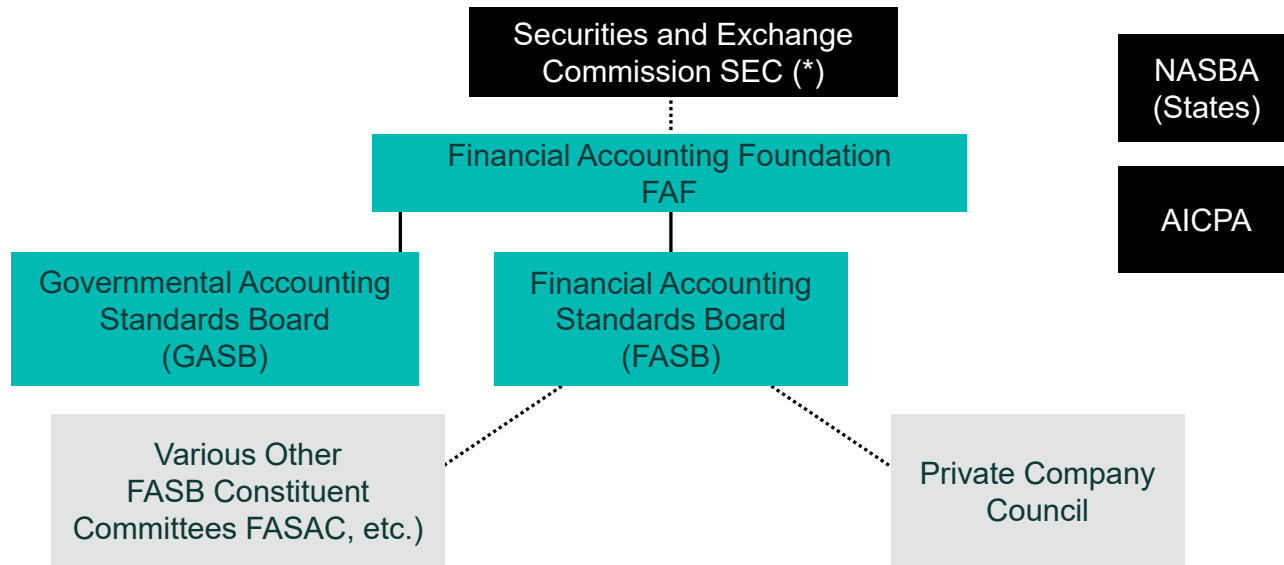
GASB No. 104 Disclosure of Certain Capital Assets

- Provides guidance to improve accounting and financial reporting certain types of capital assets.
 - Separate disclosure requirements for each major class of underlying asset:
 - capital assets (Statement No. 34);
 - lease assets (Statement No. 87);
 - intangible right-to-use assets (Statement No. 87);
 - subscription assets (Statement No. 96).
 - Clarifies guidance for disclosures of capital assets held for sale, including:
 - 1) ending balance of the capital assets held for sale;
 - 2) disclosure for cost basis and accumulated depreciation;
 - 3) carrying amount of debt for which the capital asset held for sale is pledged as collateral.
- **Effective for annual periods beginning after June 15, 2025.**



Standards Setting Hierarchy

U.S. STANDARD SETTERS – PUBLIC & PRIVATE COMPANIES



(*) In addition to the accounting and reporting rules set by the FASB for all U.S. companies, U.S. public companies must also adhere to the regulations established directly by the SEC.





Executive Session

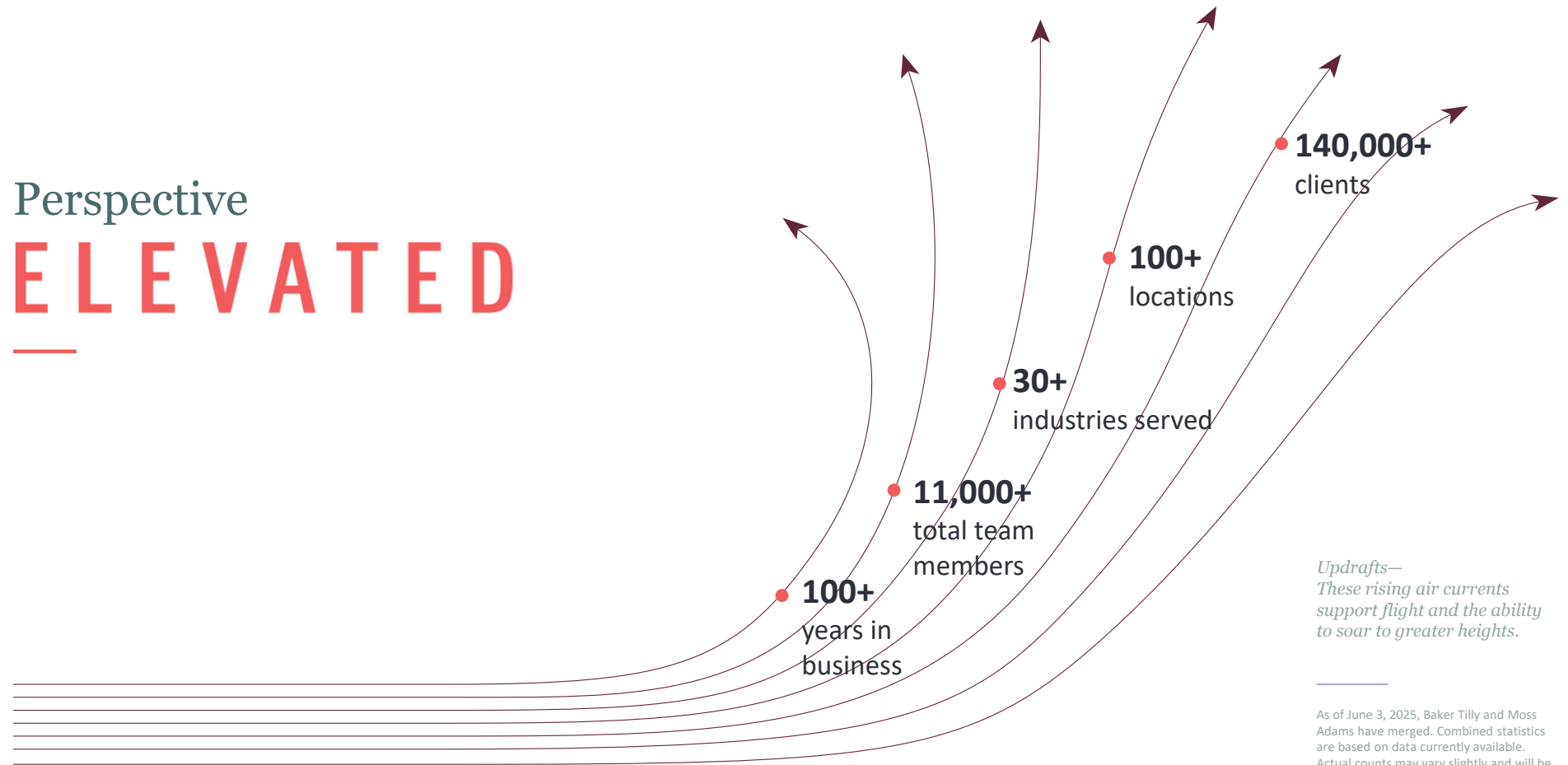
More than a Merger. A Multiplier.

Together, Baker Tilly and Moss Adams create something exponential.

With our combined industry expertise, capabilities, and footprint, we create an outsized impact for our clients.



Perspective **ELEVATED**



*Updrafts—
These rising air currents
support flight and the ability
to soar to greater heights.*

As of June 3, 2025, Baker Tilly and Moss Adams have merged. Combined statistics are based on data currently available. Actual counts may vary slightly and will be finalized during the integration process.

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ILLINOIS

INDIANA

KANSAS

MASSACHUSETTS

MICHIGAN

MINNESOTA

NEW JERSEY

NEW MEXICO

NEW YORK

OHIO

OREGON

PENNSYLVANIA

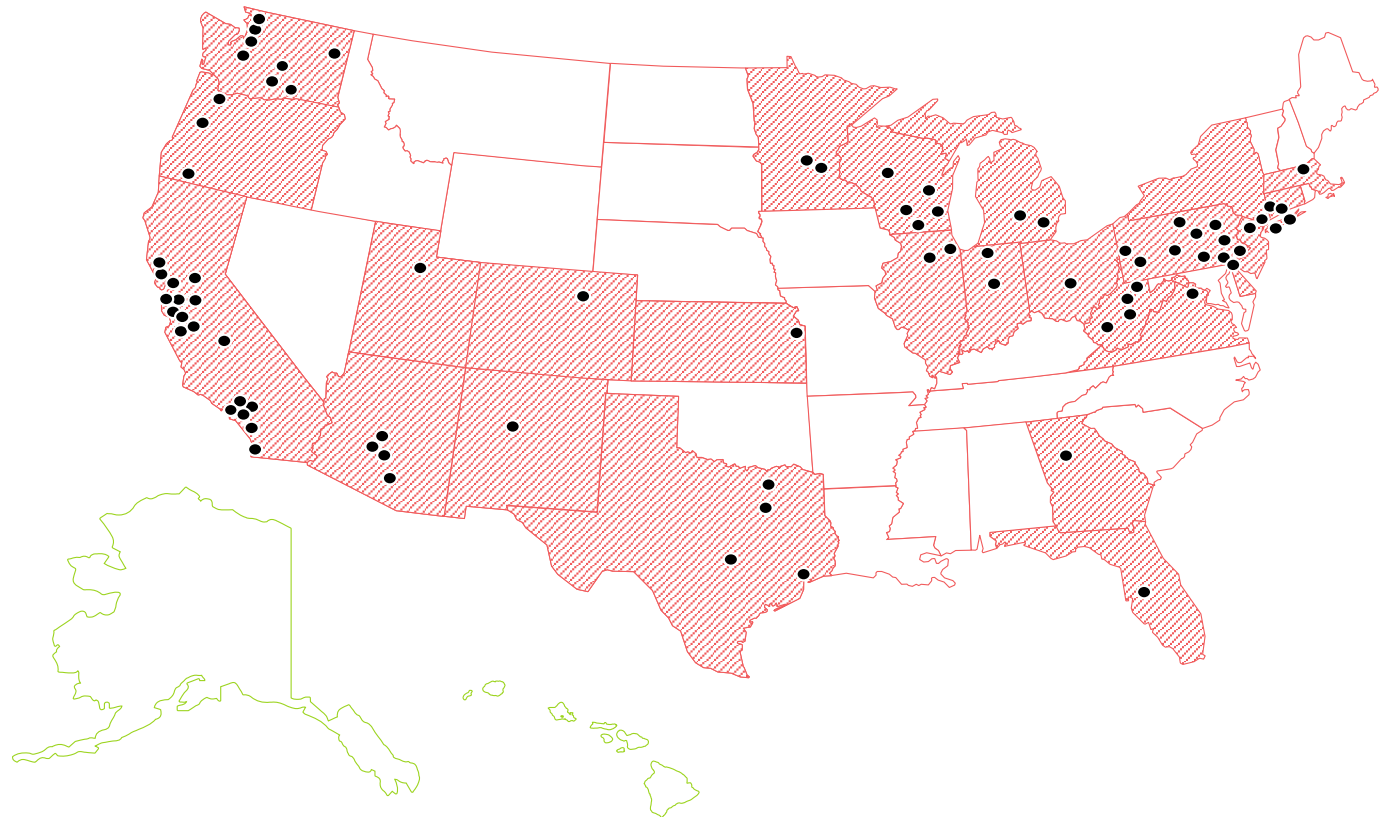
TEXAS

UTAH

WEST VIRGINIA

WASHINGTON

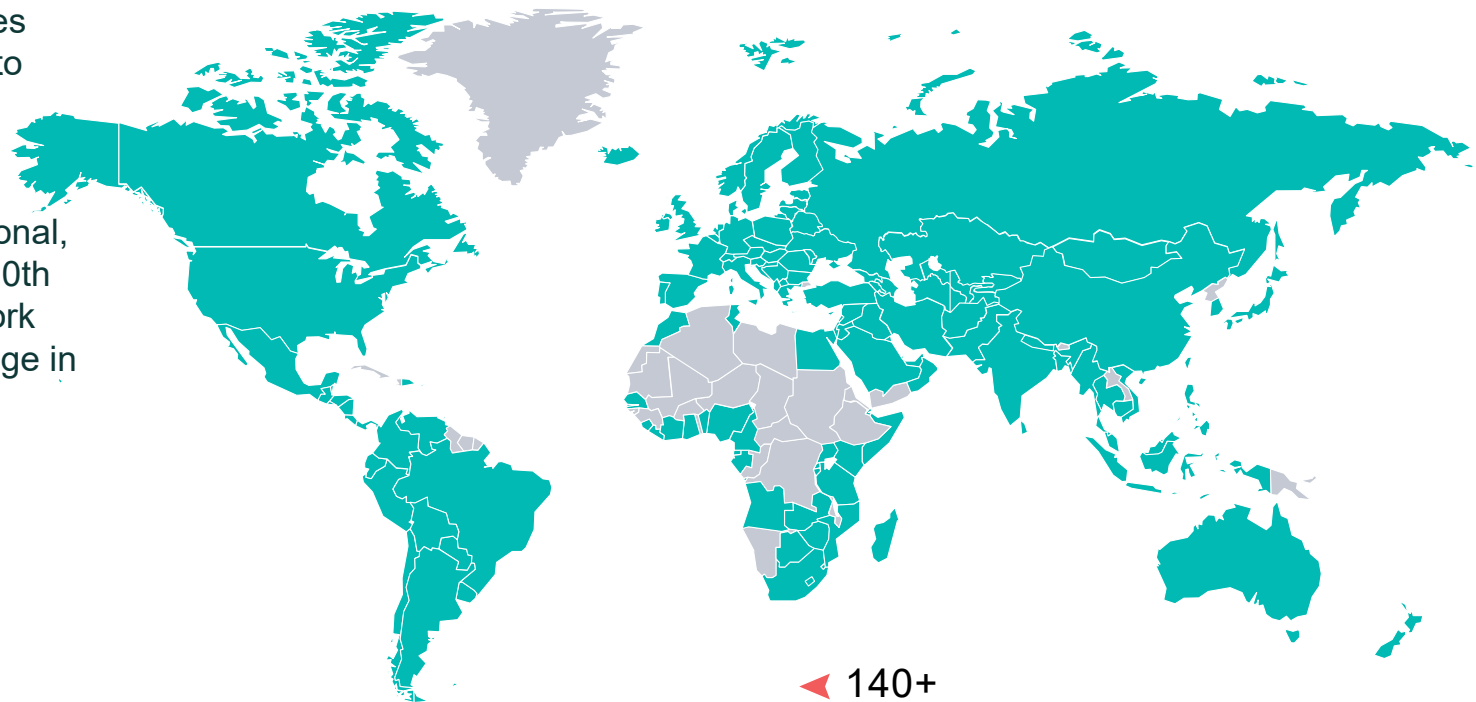
WISCONSIN



Our International Presence

Wherever your business takes you, we have the resources to support you.

Through Baker Tilly International, we bring clients the world's 10th largest global advisory network with market-specific knowledge in more than 140 territories.



◀ 140+
territories served

**THANK
YOU**



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