

**CORNING HEALTHCARE DISTRICT
BOARD MEETING
Tuesday December 19, 2023
District conference room
275 Solano Street
Corning Healthcare District Campus
Meeting Inquiries (530) 824-5451**

REGULAR AGENDA

-PRELIMINARY AUDIT REPORT

Recommendation:

Discussion and approval of the 2022-2023 Preliminary Audit Report

CORNING HEALTHCARE DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

DRAFT

CORNING HEALTHCARE DISTRICT

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An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Corning Healthcare District
Corning, CA

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Corning Healthcare 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Corning Healthcare District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

DRAFT

Larry Bain, CPA
An Accounting Corporation

October 11, 2023

CORNING HEALTHCARE DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

Assets

Current Assets:

Cash and investments	\$	640,182
Due from other government		-
Short term capital lease		186,319
Total current assets		<u>826,501</u>

Noncurrent Assets

Restricted cash and investments		79,588
Long term capital lease		772,067
Capital assets - net of accumulated depreciation		3,412,322
Total noncurrent assets		<u>4,263,977</u>
Total assets		<u>5,090,478</u>

Liabilities

Current Liabilities:

Accounts payable		936
Accrued payroll		7,805
Interest payable		22,194
USDA loan-current		26,000
Total current liabilities		<u>56,935</u>

Noncurrent Liabilities:

Compensated absences		6,996
USDA loan		1,227,300
Total noncurrent liabilities		<u>1,234,296</u>
Total liabilities		<u>1,291,231</u>

Deferred inflows of resources

Deferred inflows-leases		902,978
Total deferred inflows of resources		<u>902,978</u>

Net Position

Net investment in capital assets		2,159,022
Net position:		
Restricted for debt service		79,588
Unrestricted		657,659
Total net position	\$	<u>2,896,269</u>

The notes to financial statements are an integral part of this statement

CORNING HEALTHCARE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Operating Revenues:	
Rental income	\$ 226,961
Total operating revenues	<u>226,961</u>
Operating Expenses:	
Salary and benefits	246,171
Services and supplies	187,604
Depreciation	131,456
Total operating expenses	<u>565,231</u>
Operating income (loss)	<u>(338,270)</u>
Non-operating revenues (expenses):	
Property tax	476,398
Interest revenue	40,748
Grant expense	(98,000)
Interest expense	(53,354)
Total non-operating revenues (expenses)	<u>365,792</u>
Change in net position	27,522
Net position, beginning of fiscal year	<u>2,868,747</u>
Net position, end of fiscal year	<u><u>\$ 2,896,269</u></u>

The notes to financial statements are an integral part of this statement

CORNING HEALTHCARE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:	
Receipts from customers	\$ 252,397
Payments to employees	(246,847)
Payments to suppliers	(195,648)
Net cash provided (used) by operating activities	<u>(190,098)</u>
Cash Flows from Non-Capital Financing Activities:	
Taxes received	476,398
Grant expense	(98,000)
Net cash provided by non-capital financing activities	<u>378,398</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	
Principal paid on long-term debt	(25,000)
Interest paid on long-term debt	(53,797)
Net cash provided (used) by capital and related financing activities	<u>(78,797)</u>
Cash Flows from Investing Activities:	
Interest received	9,625
Net cash provided (used) by investing activities	<u>9,625</u>
Net increase (decrease) in cash and cash equivalents	119,128
Cash and cash equivalents, beginning of fiscal year	600,542
Cash and cash equivalents, end of fiscal year	<u>\$ 719,670</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and investments	<u>\$ 719,670</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities	
Operating loss	\$ (338,270)
Noncash items included in operating loss	
Depreciation	131,456
Changes in assets and liabilities	
Decrease (increase) in operating assets	
Finance leases	8,903
Increase (decrease) in operating liabilities	
Due from other government	16,533
Accounts payable	(8,044)
Compensated absences	(1,403)
Accrued payroll	727
Net cash provided (used) by operating activities	<u>\$ (190,098)</u>

The notes to financial statements are an integral part of this statement

CORNING HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies

The Corning Healthcare District was established in 1946 for the purpose of promoting public health and general welfare under the terms of the Local Hospital District Law. In order to attain the objectives, the District owned and operated the Corning Memorial Hospital until 1989 when the Hospital ceased operations. The District current operations consists of leasing, at below market rent, its facilities to medical care providers, which provide a one stop shop for unmet healthcare needs within the District. The District also provides an elder services program.

A. Reporting Entity

The District has defined its reporting entity in accordance with U. S. generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB.

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District reports one proprietary fund that accounts for the activities of collecting facility rent from health care providers, and property taxes from taxpayers within the District boundaries for the general operations of the District.

CORNING HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

C. Fixed Assets

Acquisitions of fixed assets are capitalized at cost and the related accumulated depreciation is recorded. Depreciation is provided for using the straight line method over the estimated useful lives from 5 to 50 years, as indicated in the District's capital asset policy. The District has adopted a capital asset policy in accordance with GASB 34.

Maintenance and repairs are charged to expense as incurred. Significant additions or improvements are capitalized and depreciated over the revised estimated useful lives. Costs incurred for major improvements or construction of assets are carried in construction in progress until the project is completed at which time costs related to the project are capitalized in the appropriate asset account. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

D. Cash Equivalents

For purpose of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes bank accounts and deposits with Edward Jones.

E. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

F. Use of Estimates in the Preparation of Financial Statements:

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

G. Property Tax:

The District receives property taxes from Tehama County, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

CORNING HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

H. Net Position:

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Net investment in capital assets-This component of net position consists of 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

I. GASB Statement No. 87

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District's financial statements for the year ended June 30, 2023.

A. *Lessor*

The District acts as the lessor for real property used for health care and medical related services. The District recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

CORNING HEALTHCARE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 1: Summary of Significant Accounting Policies (Continued)
Lessor (Continued)

- The District uses an estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 2: Cash and Investments

Cash and investments at June 30, 2023, consisted of the following:

Checking accounts	\$	212,820
Imprest cash		100
Certificates of deposit		23,104
CA CLASS money market		483,746
Total cash and investments	\$	719,770

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

The table below identifies the **investment types** that are authorized for the Corning Healthcare District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual/money market funds	5 years *	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 years *	None	None

* The five year maximum maturity can be extended by the Board of Directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP or note payments to coincide with the required repayments.

CORNING HEALTHCARE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

Note 2: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not own investments subject to interest rate risk.

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2023, the District's deposits balance was \$728,451 and the carrying amount was \$719,670. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$244,249 was covered by Federal Depository Insurance and the remainder by collateral held in the pledging bank's trust department in the District's name as required by California Law.

The California Cooperative Liquid Assets Securities System, doing business as the California CLASS, is a California joint powers authority created pursuant to Title 1, Division 7, Chapter 5 of the California Government Code (commencing with Section 6500), known as the Joint Exercise of Powers Act (Act) and the JPA Agreement referenced below. The Act provides that two or more public agencies (as defined herein, Public Agencies) that have the authority to invest funds in their treasuries may, by agreement, jointly exercise that common power and create a joint powers authority separate from such Public Agencies to exercise such common power and to act as administrator of the agreement. Under this authority, California CLASS was created pursuant to a Joint Exercise of Powers Agreement (JPA Agreement) dated as of June 6, 2022, between the Founding Participants (as defined in the JPA Agreement), with the pool commencing operations on July 1, 2022. The purpose of the California CLASS is to consolidate investment activities of the Participants and thereby reduce duplication, take advantage of economies of scale and perform governmental functions more efficiently through the California CLASS Investment Program. California CLASS presently offers shares in one portfolio, California CLASS Prime. California CLASS Prime operates like a money market mutual fund with each share valued at \$1.00. California CLASS is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" Topic 946). California CLASS Prime is rated AAAM by S&P Global Ratings as of March 31, 2023.

CORNING HEALTHCARE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023
Capital assets, being depreciated				
Land and land improvements	643,430			643,430
Building and building improvements	4,249,265			4,249,265
Equipment	279,204			279,204
Total capital assets, being depreciated	5,171,899	-	-	5,171,899
Less accumulated depreciation:	(1,628,121)	(131,456)		(1,759,577)
Total capital assets, net	\$ 3,543,778	\$ (131,456)	\$ -	\$ 3,412,322

Note 4: Long-Term Obligations

The following is a schedule of changes in long-term obligations during the fiscal year:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due Within One Year
Compensated absences	\$ 8,399	\$ 7,079	\$ (8,482)	\$ 6,996	\$ -
USDA loan	1,278,300	-	(25,000)	1,253,300	26,000
Total	\$ 1,286,699	\$ 7,079	\$ (33,482)	\$ 1,260,296	\$ 26,000

A. Compensated Absences

District employees accumulate earned but unused vacation and CTO benefits that can be converted to cash at termination or retirement from employment. The amount of the compensated absence liability at June 30, 2023 was \$6,996.

B. Certificates of Participation

The certificates of participation represent one loan made by the United States Department of Agriculture Rural Housing Service (RHS) for the purpose of assisting in financing the construction and expansion of the health care facilities. The certificates are secured by a lien and pledge of revenues received by Corning Healthcare District evidenced by Certificates of Participation. Principal matures semi-annually beginning February 1, 2010, through August 1, 2049, with interest rate of 4.25%. The loan has a reserve requirement equal to approximately one year's debt service. Future maturities of the debt are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 26,000	\$ 52,713	\$ 78,713
2025	27,000	51,586	78,586
2026	28,000	50,417	78,417
2027	29,000	49,206	78,206
2028	30,000	47,953	77,953
2029-2033	172,000	218,855	390,855
2034-2038	212,000	178,225	390,225
2039-2043	261,000	128,181	389,181
2044-2048	322,000	66,448	388,448
2049-2050	146,300	6,225	152,525
	\$ 1,253,300	\$ 849,809	\$ 2,103,109

CORNING HEALTHCARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5: Leases Receivable

The District derives a portion of its revenue from the rental of real property based on a fixed lease amount to organizations providing health care and medical related services. Three leases are treated as finance leases for accounting purposes under Governmental Accounting Board Statement No. 87. The initial lease terms started as early as August 1, 2019 for periods between five and ten years, and can be terminated by lessee at any time and without cause by giving the District written notice of termination. Early termination is not expected. The rents ranged from \$936 to \$10,333 per month and increases by the consumer price index annually. The District has three leases not meeting the definition of finance leases per GASB 87.

Lease receivables consist of an agreement with the health care and medical service providers for their right-to-use of a portion of facilities owned by the District. The calculated interest rate used is based on an assumed 3% borrowing rate. For the fiscal year ended June 30, 2023, the District recognized \$226,961 in lease revenue and \$31,123 in interest revenue related to these leases.

A summary of changes in lease receivable for the fiscal year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Retirements/ Adjustments	Balance 6/30/2023	Due within One Year	Due in More Than One Year
Lease receivable	\$ 1,133,178	\$ -	\$ (174,793)	\$ 958,385	\$ 186,318	\$ 772,067

Lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 186,318	\$ 25,773	\$ 212,092
2025	113,154	21,181	134,334
2026	111,432	17,940	129,371
2027	118,765	14,487	133,252
2028	126,412	10,838	137,250
2029-2031	302,304	9,669	311,972
Total	\$ 958,385	\$ 99,887	\$ 1,058,272

Note 6: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District together with other districts in the State are insured through Special District Risk Management Authority (SDRMA), a public entity risk pool currently operating as a common risk management and Joint Powers Authority for property, liability and workers compensation insurance. The District pays an annual contribution for property and liability insurance to SDRMA to share the risk management. Furthermore the District carries workers compensation coverage based upon actual payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. SDRMA agrees to pay all amounts legally required by California Workers compensation laws.

The Agreement for Formation provides that SDRMA will be self-sustaining through member contributions and does not required additional contributions if claims exceed contributions. The agreement for formation stipulates that members are liable for their pro rata share of any fund deficits upon termination from or dissolution of SDRA. At June 30, 2023 SDRMA had a fund surplus. Financial statements for SDRMA are available at the District's office. Settlements have not exceeded insurance coverage in any of the last three years.

CORNING HEALTHCARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7: Economic Dependency

The District has two major sources of income, property tax/assessments and rental income. Rental income is limited to medical and health service-related tenants and accounted for 31% of the District revenue during the 2022/23 fiscal year.

Note 8: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 9: Commitments and Contingent Liabilities

In the normal course of business, the District is a defendant in various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

Grants

Grants are subject to audit to determine compliance with their requirements. District officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the District. The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District.

Pledge of Net Revenues

The district has pledged its net revenues to secure the USDA Loan used to construct and expand its facilities. The net revenues are subject to a lien of such pledge.

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Corning Healthcare District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Note 10: Subsequent Events

Subsequent events were evaluated through October 11, 2023, the date these financial statements were available for distribution.