



**FECHTER
& COMPANY**
Certified Public Accountants

REDBUD HEALTH CARE DISTRICT

FINANCIAL STATEMENTS

With

Independent Auditor's Report Thereon

JUNE 30, 2026

**REDBUD HEALTH CARE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2026**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redbud Health Care District
Clearlake, California

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of Redbud Health Care District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Redbud Health Care 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 respective financial position of the governmental activities and the major fund of Redbud Health Care District as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Redbud Health Care 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 opinions.

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.

To the Board of Directors
Redbud Health Care District
Clearlake, California

Responsibilities of Management for the Financial Statements – continued

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 Redbud Health Care District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Redbud Health Care 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 Redbud Health Care 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.

To the Board of Directors
Redbud Health Care District
Clearlake, California

Required Supplementary Information

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

Other Information

Management has omitted Management's Discussion and Analysis (MD&A) 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 is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October __, 2026, on our consideration of the Redbud Health Care District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Redbud Health Care 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 Redbud Health Care District's internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants

Sacramento, California
October __, 2026

REDBUD HEALTH CARE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

Assets

Current assets	
Cash and cash equivalents	\$ 6,152,760
Interest and property taxes receivable	<u>219,383</u>
Total Current Assets	6,372,143
Non-current assets	
Property and equipment, net	<u>17,036</u>
Total Assets	6,389,179

Liabilities and Net Position

Current liabilities	
Accrued expenses	1,991
Compensated absences	<u>3,045</u>
Total Current Liabilities	5,036
Net position	
Investment in capital assets	17,036
Unrestricted	<u>6,367,107</u>
Total Net Position	<u>\$ 6,384,143</u>

The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2026**

Functions/Programs	Expenses	Operating Contributions	Net (Expense), Revenue, and Change in Net Position
Governmental Activities:			
Community healthcare advocacy	\$ 1,101,083	\$ -	\$ (1,101,083)
Total governmental activities	<u>\$ 1,101,083</u>	<u>\$ -</u>	<u>(1,101,083)</u>
General Revenues:			
Tax revenue			1,340,447
Interest income			212,195
Rental provision			<u>26,744</u>
Total general revenues			<u>1,579,386</u>
Change in net position			478,303
Net position at beginning of year			<u>5,905,840</u>
Net position at end of year			<u><u>\$ 6,384,143</u></u>

The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2026**

Assets		
Cash and investments		\$ 6,152,760
Interest and property taxes receivable		<u>219,383</u>
Total Assets		<u><u>\$ 6,372,143</u></u>
Liabilities and Fund Balance		
Accrued expenses		<u>\$ 1,991</u>
Total Liabilities		<u>1,991</u>
Fund Balance		
Committed		374,500
Unassigned		<u>5,995,652</u>
Total Fund Balance		<u>6,370,152</u>
Total Liabilities and Fund Balance		<u><u>\$ 6,372,143</u></u>

The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2026**

Total fund balances - Governmental Fund Balance Sheet	\$ 6,370,152
In governmental funds, only current assets are reported. In the Statement of Net Position, all assets are reported, including capital assets and accumulated depreciation.	
Capital assets at historical cost, net	17,036
Compensated absences	<u>(3,045)</u>
Net position of governmental activities-Statement of Net Position	<u><u>\$ 6,384,143</u></u>

The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED
JUNE 30, 2026**

Operating Revenues

Property taxes	\$ 1,340,447
Interest income	212,195
Rental provision	<u>26,744</u>
Total Operating Revenues	1,579,386

Operating Expenditures

Grants	912,433
Salary	99,165
Rent expense	26,744
Insurance	8,837
Professional fees	29,977
Dues and subscriptions	4,754
Office expense	3,536
Miscellaneous	6,663
Capital outlay	17,048
Utilities and telephone	<u>6,786</u>
Total Operating Expenditures	<u>1,115,943</u>
Increase in Fund Balance	463,443
Fund Balance-Beginning of year	<u>5,906,709</u>
Fund Balance-End of Year	<u><u>\$ 6,370,152</u></u>

The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2026**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in General Fund Balances	\$ 463,443
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	17,048
Depreciation expense	<u>(2,188)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 478,303</u></u>

The accompanying notes are an integral part of these financial statements.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Nature of Operations - Redbud Health Care District (the District), a political subdivision of the State of California, serves the residents of southern Lake County, California. The District's primary function is to collect tax revenue and provide grants to promote health care and similar community programs within the District.

Government-Wide Financial Statements/(Statement of Net Position and Statement of Activities) - Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting entity are reported in the financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activity. Direct expenses are those that are specifically associated with the District. Program revenues include taxes levied by Lake County that are restricted to meeting the operational requirements of the District. Revenues that are not classified as program revenues, such as investment earnings, refunds, and reimbursements, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements/General Fund - The fund financial statements consist of the Balance Sheet and the statement Of Revenues, Expenditures, and Changes in Fund Balance of the District's General Fund. These statements are presented on a current-financial resources measurement focus. The fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. The Statement of Revenues, Expenditures, and Changes in Fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current resources. All operations of the District are accounted for in the general fund.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements/General Fund – continued

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available is defined as within 60 days of fiscal-year end. Revenues susceptible to accrual include grants and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences which are recorded only when payment is due.

The General Fund is the District's primary operating fund and its only major fund. The General Fund accounts for all financial resources of the District.

Fund Balance Classification - In accordance with generally accepted accounting principles, the District implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are Non-spendable, Restricted, Committed, Assigned, and Unassigned.

Non-spendable: The portion of net resources that cannot be spent because they are not in an expendable form (e.g., prepaid expenditure or inventory), or portion of net resources that cannot be spent because they must be maintained intact (e.g., revolving fund or the principal of an endowment).

Restricted: Amounts or limitations constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments – e.g., tax collections from the County under specific agreements for services such as matching funds for specific initiatives).

Committed: Limitation imposed at the highest level of decision-making that require the same formal action to remove or modify. The highest level of decision-making authority is the appointed Board of Directors and the agenda item is the formal action used to commit fund balance, which would include a vote to commit the funds for a specified purpose.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Balance Classification – continued

Assigned: Amounts or limitations are constrained by the District's intent to be used for a specific purpose. The District's Board of Directors (the Board) is responsible for assigning fund balance through a formal action by an agenda item, however, the Board has the authority to remove the assignment. The Board has set aside certain spendable fund balances for programs that have been approved and awarded funding.

Unassigned: Resources in the fund balance that cannot be reported in any other classification or negative fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

Cash and Cash Equivalents - Cash and cash equivalents include demand deposits in a commercial checking account and deposits in the Local Agency Investment Fund (LAIF), which is a State of California, Treasurer's Office investment pool. The District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District records its deposits at fair value. The demand deposits held in a commercial checking account may at times be in excess of the Federal Deposit Insurance Corporation insurance limit.

Capital Assets - Capital assets are assets purchased or acquired with an original cost of \$1,000 or more and are reported as historic or estimated historic cost or, in the case of contributed assets, at fair market value as of the date received. Additions, improvements, and other capital outlays of \$1,000 or more that significantly extend the useful life of an asset are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized, but are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows: computer equipment, 3 to 5 years; furniture and office equipment, 7 to 10 years.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Position - Net position is classified into three components. These components consist of:

Invested in Capital Assets, Net of Related Debt: This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position: This category presents external restrictions imposed by creditors, contributors, laws, or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: This category represents net position of the District not restricted for any project or other purpose.

Operating Revenues and Expenditures - The Statement of Revenues, Expenditures, and Changes in Fund Balance lists operating revenues and expenditures and non-operating revenues and expenditures, when applicable. Operating revenues result from property taxes and interest income. Operating expenditures are all expenses incurred to provide services.

Property Tax - Property taxes are levied by Lake County on the District's behalf and are utilized to support operations. The amount of property tax received is dependent upon the assessed real property valuations, as determined by the Lake County Assessor. Property taxes are due in two equal installments on November 1 and March 1 each year and are delinquent if not paid by December 10 and April 10, respectively. The District received 93% of its financial support from property taxes.

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

Compensated Absences - Compensated absences represent the vested portion of accumulated vacation. In accordance with GASB 101, the liability for accumulated leave includes all salary related payments that are directly and incrementally connected with leave payments to employees if that leave is more likely than not to be paid.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Recent Accounting Pronouncements - In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. The guidance in this statement updates the presentation requirements for several financial statement items including (but not limited to) management's discussion and analysis, unusual or infrequent items, and budgetary comparisons. The new standard is effective for fiscal years beginning after June 15, 2025. The District adopted this standard as of July 1, 2025. No adjustments to fund balance or net position were required for this adoption.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets, which enhances the transparency of capital asset reporting. This Statement requires separate disclosure of lease assets (per GASB 87), subscription-based IT assets (per GASB 96), and other intangible right-to-use assets (per GASB 94) by major class in the capital assets note. It also introduces new disclosure requirements for capital assets held for sale, including historical cost, accumulated depreciation, and related pledged debt. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. The District adopted this standard as of July 1, 2025. No adjustments to fund balance or net position were required for this adoption.

NOTE 2: CASH AND CASH EQUIVALENTS

The California Government Code authorizes investments in obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, and the State of California, Local Agency Investment Fund (LAIF), which is a pooled investment fund held at the State of California, Treasurer's Office.

California Government Code, Section 53635, places the following concentration limits on the State investment pool, which is unrated:

No more than 40% may be invested in eligible commercial paper, no more than 10% may be invested in the outstanding commercial paper of any single issuer, and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 2: CASH AND CASH EQUIVALENTS – continued

Cash, deposits, and investments at carrying value, which approximates fair value, consisted of the following at June 30, 2026:

Investments in State Treasurer’s Investment Pool (LAIF)	\$ 4,932,783
Deposits held in financial institutions	1,219,877
Petty cash	<u>100</u>
Total cash and cash equivalents	<u>\$ 6,152,760</u>

Custodial Credit Risk – At June 30, 2026, the carrying amount of the deposits held at banks was \$825,538. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used, or 150% if mortgages are used as the collateral.

Authorized Investments – California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code, Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker’s Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 2: CASH AND CASH EQUIVALENTS – continued

Investments – The District has adopted provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB No. 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. Statement No. 31 requires all applicable investments to be reported at fair value on the Balance Sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market value of investments, is recognized as revenue in the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance.

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 3: PROPERTY AND EQUIPMENT

	<u>June 30, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2026</u>
Office equipment	\$ 1,248	\$ 17,048	\$ -	\$ 18,296
Major moveable equipment	8,905	-	-	8,905
Total property and equipment	10,153	17,048	-	27,201
Less: Accumulated depreciation	(7,977)	(2,188)	-	(10,165)
Property and equipment, net	<u>\$ 2,176</u>	<u>\$ 14,860</u>	<u>\$ -</u>	<u>\$ 17,036</u>

Depreciation expense incurred during the year ended June 30, 2026, was \$2,188. This was entirely charged to the community health advocacy function.

NOTE 4: LONG-TERM LIABILITIES

	<u>June 30, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2026</u>	<u>Current Portion</u>
Compensated Absences	\$ 3,045	\$ -	\$ -	\$ 3,045	\$ 3,045

NOTE 5: COMMITMENTS

Joint Powers Agreements – The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental, risk sharing, joint powers authority. The SDRMA arranges for and provides members with pooled general liability, automobile, and other self-insurance coverage. SDRMA financial statements can be found at www.sdrma.org. Condensed financial information of the SDRMA for the year ended June 30, 2025, the most current available as of October __, 2026, is as follows:

Total assets	\$ 186,964,081
Total liabilities	<u>78,834,809</u>
Net Position	<u>\$ 265,798,890</u>
 Total operating revenues	 \$ 123,279,062
Total operating expenses	(112,943,462)
Total non-operating income	<u>12,607,306</u>
Change in Net Position	<u>\$ 22,942,906</u>

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 6: CONTINGENCIES

Redbud Health Care District is authorized under the Local Health Care District Law to support qualified community health care programs. The District provides support through grant funding. The Grantee must sign a grant agreement and use the grant funds for the purposes outlined in the grant agreement.

If the Grantee does not expend the grant funds in accordance with the terms and conditions outlined in the grant agreement, the Grantee is required to reimburse the District, which would result in a contingent liability for the Grantee. The District takes into consideration the reputation of the Grantee as well as the reputation of the Grantee's Board Members in the RFA (Request For Assistance) evaluation process. It is not possible to estimate potential loss from this contingency as of October __, 2026.

NOTE 7: RELATED PARTIES

Grants – In the ordinary course of carrying out its charitable and community-health mission, the District awards grants to local not-for-profit and community organizations. Certain of these grantee organizations have one or more members of their governing boards who also serve as members of the District's Board of Directors. As a result, those grantees are related parties of the District within the meaning of GASB Codification Section 2250. The affected relationships during the fiscal year ended June 30, 2026 were as follows:

- Adventist Health Hospital – shares a board member with the District, and provides office space for the District.
- Konocti Unified School District (KUSD) – shares a board member with the District.

During the fiscal year ended June 30, 2026, the District approved and disbursed the following grants to organizations that share common board members with the District:

Adventist Health Hospital Clearlake	
Direct grants	<u>\$ 55,000</u>
Konocti Unified School District (KUSD)	
Grant to Lower Lake High School for Sober Grad Night	\$ 15,000
Grant to Foods Etc. for Families of KUSD	5,000
Grant Lower Lake High School Football Fundraising	20,000
	<u>\$ 40,000</u>

Each grant was reviewed and approved in accordance with the District's grant policies and conflict-of-interest policy.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 7: RELATED PARTIES – continued

As of June 30, 2026, there were no amounts due to or from these related parties arising from the grants described above.

Because the requisite conditions of competitive, free-market dealings may not exist in transactions with related parties, and because these grants are gratuitous charitable awards for which no market comparable exists, the District does not represent that these transactions were consummated on terms equivalent to those that would prevail in arm's-length transactions.

Rental Provision – The District sold the hospital and all related assets and liabilities owned by the District to Adventist Health System in July 1997. As a part of that purchase agreement, Adventist Health System agreed to provide adequate office space to the District as long as the District continues to exist. Although originally intended to be within the hospital, the agreement contains a provision that the space may be provided outside of the hospital. During the year ended June 30, 2026, Adventist Health System paid in full all of the District's office lease. This payment is recognized as income to the District, along with an equal amount recognized for rental expenses. During the year ended June 30, 2026, this rental provision was valued at \$26,744.

NOTE 8: COMMITTED FUNDS

Committed fund balance consisted of following items at June 30, 2026:

Grants awarded by Board of Directors, but not yet due:	
Lake County Fire Protection District	\$ 194,500
Gladiator Wrestling Club	30,000
North Shore Fire Protection District	150,000
Total committed funds	<u>\$ 374,500</u>

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

Redbud Health Care District has reviewed the results of operations for the period of time from its year end June 30, 2026, through October , 2026, the date which the financial statements were available to be issued. As of October __, 2026, there were no subsequent events to note.

REQUIRED SUPPLEMENTARY INFORMATION

**REDBUD HEALTH CARE DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED
JUNE 30, 2026**

	Original Budget	Change Original to Final Increase (Decrease)	Final Budget	Variance: Final to Actual Over (Under)	Actual Amounts
<u>Operating Revenues</u>					
Property taxes	\$ 1,312,203	\$ -	\$ 1,312,203	\$ 28,244	\$ 1,340,447
Interest income	189,731	-	189,731	22,464	212,195
Rental provision	-	-	-	26,744	26,744
Total Operating Revenues	1,501,934	-	1,501,934	77,452	1,579,386
<u>Operating Expenditures</u>					
Grants	1,323,460	-	1,323,460	(411,027)	912,433
Salary	97,030	-	97,030	2,135	99,165
Rent expense	-	-	-	26,744	26,744
Insurance	9,200	-	9,200	(363)	8,837
Professional fees	26,400	-	26,400	3,577	29,977
Dues and subscriptions	7,354	-	7,354	(2,600)	4,754
Office expense	4,770	-	4,770	(1,234)	3,536
Miscellaneous	7,200	-	7,200	(537)	6,663
Capital outlay	16,500	-	16,500	548	17,048
Utilities and telephone	9,020	-	9,020	(2,234)	6,786
Travel	1,000	-	1,000	(1,000)	-
Total Operating Expenditures	1,501,934	-	1,501,934	(385,991)	1,115,943
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ 463,443	463,443
Fund balances - July 1, 2025					5,906,709
Fund balances - June 30, 2026					\$ 6,370,152

The accompanying notes are an integral part of the required supplementary information.

**REDBUD HEALTH CARE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2026**

NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING

As required by State law, the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budget for the General Fund is adopted on the modified-accrual basis of accounting. The budget for the General Fund is the only legally adopted budget.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board. Significant amendments and appropriation transfers between objects or funds must be approved by the Board. Appropriations lapse at fiscal year-end.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board.

Significant budgetary variances are defined as a variance from the budget of more than 10% of the excess of revenues over expenditures for the fund included in the budget, \$46,344 for the year ended June 30, 2026.

NOTE 2: EXPLANATIONS FOR SIGNIFICANT VARIANCES

Grants were \$411,027 less than the amount budgeted due to a lower number of grant applications than anticipated.

**OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To The Board of Directors
Redbud Health Care District
Clearlake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Redbud Health Care District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Redbud Health Care District's basic financial statements, and have issued our report thereon dated October __, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redbud Health Care 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Redbud Health Care District's internal control. Accordingly, we do not express an opinion on the effectiveness of Redbud Health Care District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given 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.

To The Board of Directors
Redbud Health Care District
Clearlake, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redbud Health Care District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company
Certified Public Accountants

Sacramento, California
October __, 2026