Del Puerto Health Care District

Presentation to the Board of Directors

For the Year Ended June 30, 2023

WIPFLI

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The following information is solely for the use of the Board of Directors and management. The financial information was derived from the audited financial statements for the years ended June 30, 2023 and 2022 and from other information obtained through the course of our audits.

Required Communications

Scope of the Audit Report

- Issued an unmodified opinion on the financial statements as of and for the year ended June 30, 2023.
- We issued a separate letter communicating significant information related to the audit process. This is referred to as the “Required Communications Letter.”

Required Communications

Our Responsibilities under generally accepted auditing standards (GAAS)

- Express an opinion about whether the financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP).
- Plan and perform the audit to obtain reasonable, not absolute, assurance the financial statements are free of material misstatement.
- Consider internal control for purposes of designing our audit procedures, not for the purpose of expressing an opinion on their effectiveness.
- Communication of significant matters related to the audit.

Required Communications

Planned Scope and Timing of the Audit

- We performed the audit according to the planned scope and timing previously communicated in the engagement letter and related discussions with management.

Other Information in Documents Containing Audited Financial Statements

- Our responsibility is to read other documents and consider whether such information is materially inconsistent with information, or the manner of presentation, appearing in the audited financial statements.
- We are not aware of, nor were we requested to devote attention to, any documents containing audited financial statements.

Required Communications

Significant Accounting Policies

- Management is responsible for selection of accounting policies.
- Significant accounting policies are described in Note 1 to the financial statements.
- No transactions were noted for which there is a lack of authoritative guidance or consensus.
- New accounting policy in order to comply with GASB Statement No. 96 - *SBITAs*, was adopted in 2023.

Required Communications

Significant Accounting Estimates Affecting the Financial Statements

- Accounting estimates are an integral part of the financial statements prepared by management.
- The most sensitive estimates affecting the financials statements are:
  - Valuation of patient receivables, including the contractual allowances and an allowance for doubtful accounts
  - Third-party settlements
- We evaluate key factors and assumptions to determine if estimates are reasonable in relation to the financial statements as a whole.

Required Communications

Corrected and Uncorrected Misstatements

- Summary of audit adjustments proposed and accepted by management:

	Assets	Liabilities	Revenue in Deficiency of Expenses
To adjust for GASB 87 lease standard	803,921	803,921	-
To adjust for loss on investment	5,629	-	5,629
Totals:	$ 809,550	$ 803,921	$ 5,629

- A Management adjustment were made throughout the audit engagement. However, the net effect on the financial statements as a whole was minimal

Required Communications

Management Representations

- Management has provided a representation letter dated the same date as our audit opinion.
- A copy of the representation letter is attached to the required communications letter.

Other

- No significant difficulties were encountered in performing the audit.
- No disagreements were noted regarding accounting or auditing matters.
- To our knowledge, management has not obtained opinions from other independent accountants regarding the application of GAAP.
- We may discuss a variety of matters, including application of GAAP, with management in the normal course of our professional relationship. Our responses, in our judgment, were not a condition of our retention as independent auditors.

Required Communications

Internal Controls

- The required communications letter identified certain accounting and operational matters for the Organization’s consideration. Further detail regarding the items summarized below, including recommendations to improve controls, can be found in the required communications letter dated the same date as the audit report, to the Board of Directors.
- The following internal control matter was considered to be a significant deficiency:
  - Financial Accounting and Reporting –
    - Wipfli is relied upon to draft the financial statements and the notes and disclosures included with the financial statements in the audit reports.
    - This is a common finding, since many smaller healthcare entities rely on their audit firms for specialized knowledge of disclosure requirements.

Financial Statement Review

Financial Statement Review – Statements of Net Position

- Patient accounts receivables increased due to an increase in receivables over 180 days.
- Third-party settlement receivables increased roughly by $537,000 due to an increase in healthcare receivables.
- Other receivables increased by roughly $106,000 due to the San Joaquin County Tax Assessment.
- Board designated cash and cash equivalents increased by roughly $1.3 million due to new investments in FY23.

Assets	**2023**	**2022**	**$ Change**	**% Change**
		(in thousands)		
Current assets:				
Cash and cash equivalents:				
Cash	$ 1,583	$ 1,936	$ (352)	-18%
Restricted cash	123	123	0	0%
Receivables:				
Patient accounts - Net	735	512	223	44%
Third-party settlements	547	9	537	5698%
Current portion of leases receivable	83	84	(1)	-1%
Other receivables	110	4	106	2500%
Inventory	65	49	15	31%
Prepaids	53	68	(14)	-21%
Total current assets	3,301	2,786	515	18%
Noncurrent assets:				
Board designated cash and cash equivalents	2,227	912	1,315	144%
Leases receivable, net of current portion	273	328	(55)	-17%
Capital assets - Net	4,961	5,125	(164)	-3%
Total noncurrent assets	7,460	6,365	1,095	17%
TOTAL ASSETS	$ 10,760	$ 9,151	$ 1,610	18%

Financial Statement Review – Statements of Net Position (Continued)

- Accounts payable decreased due to timing of payments at year-end.
- Accrued payroll and vacation increased from prior year due to increase in number of full-time employees.
- Unrestricted net position increased by roughly $1.8 million.

Liabilities and Net Position	**2023**	**2022**	**$ Change**	**% Change**
		(in thousands)		
Current liabilities:				
Current portion of long-term debt	$ 68	$ 65	3	4%
Accounts payable	110	153	(43)	-28%
Deposits held for others	5	5	0	11%
Accrued compensation and related liabilities	372	309	63	20%
Total current liabilities	556	532	24	5%
Noncurrent liabilities:				
Long-term debt - less current portion	1,371	1,439	(68)	-5%
Total liabilities	1,927	1,970	(44)	-2%
Deferred inflows of resources - Leases	356	411	(55)	-13%
Net position:				
Net investment in capital assets	3,522	3,621	(99)	-3%
Restricted for debt service	123	123	0	0%
Unrestricted	4,832	3,024	1,808	60%
Total net position	8,478	6,768	1,709	25%
TOTAL LIABILITIES AND NET POSITION	$ 10,760	$ 9,151	$ 1,610	18%

Financial Statement Review Statements of Revenue, Expenses, and Changes in Net Position

- Patient service revenue – Net of contractual allowances and discounts increased by about $2.1 million (51%) in 2023.
  - Gross patient revenue increased $1.89 million.
  - Contractual allowances and write-offs decreased approximately $230k, resulting in a net revenue increase.
- Salaries and Employees Benefits expense increased $556k (20%) from prior year due to increase in employees. That automatically affected Fringe Benefits, Taxes and PTO accrual.
- Other expense decreased by $265k (59%) due to decrease in other fees and recruitment costs

Statements of Revenue, Expenses, and Changes in Net Position	**2023**	**2022**	**$ Change**	**% Change**
	(in thousands)			
Operating revenue:				
Net patient service revenue	$ 6,628	$ 4,191	$ 2,437	58%
Other operating revenue	48	69	(21)	-31%
Total operating revenue	6,676	4,260	2,416	57%
Operating expenses:				
Salaries and wages	3,341	2,785	556	20%
Employee benefits	866	747	119	16%
Professional fees	579	747	(168)	-22%
Purchased services	637	477	161	34%
Supplies	175	186	(10)	-5%
Utilities	74	71	4	5%
Rental and lease	5	7	(3)	-42%
Insurance	347	334	13	4%
Repairs and maintenance	122	115	7	6%
Depreciation	346	311	36	12%
Other	495	454	41	9%
Total operating expenses	6,989	6,232	757	12%
Loss from operations	(313)	(1,971)	1,659	-84%
Nonoperating revenue - Net	2,022	2,400	(378)	-16%
Excess of revenues over expenses	1,709	429	1,281	299%
Net position - Beginning of year	6,768	6,339	429	7%
Net position - End of year	$ 8,478	$ 6,768	$ 1,709	25%

Financial Analysis

Financial Analysis

“Financial flexibility” - The ability of a business to withstand the financial consequences of significant changes in its situation.

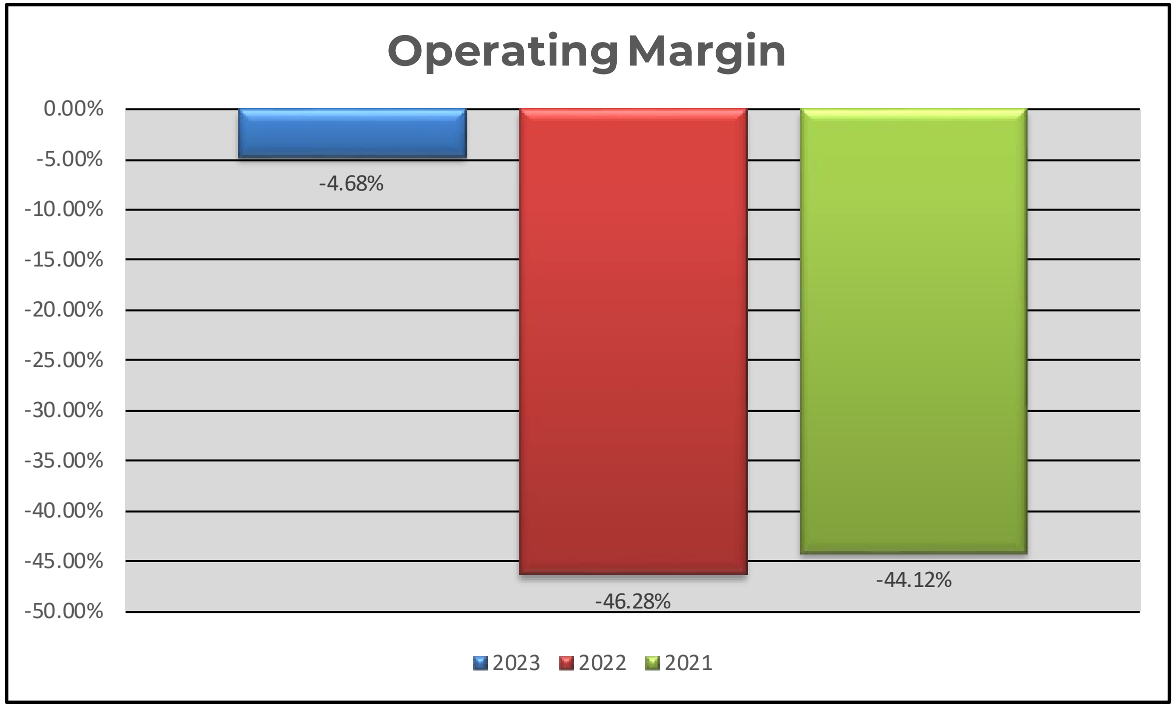
Successful organizations realize “financial flexibility” by achieving superior performance with respect to:

- Profitability
- Liquidity
- Debt capacity
- Securing the condition of the physical facilities

The financial ratios appearing in the following graphs are presented to assist in understanding the “financial health” of the District.

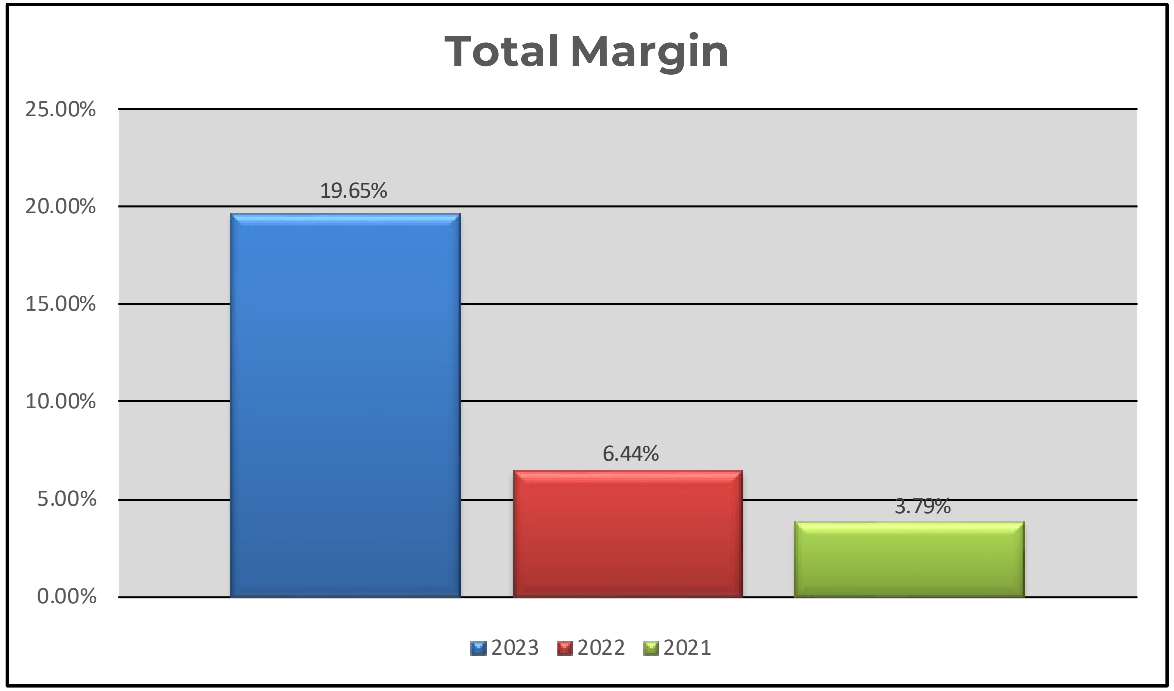
Financial Analysis

- Operating margin measures income (loss) from operations as a percentage of total operating revenue.
- High values indicate an ability to add new investments in capital assets without adding excessive new debt.
- Ratio Increased in 2023 from -46.28% to -4.68% primarily due to increased patent visits at the clinic.



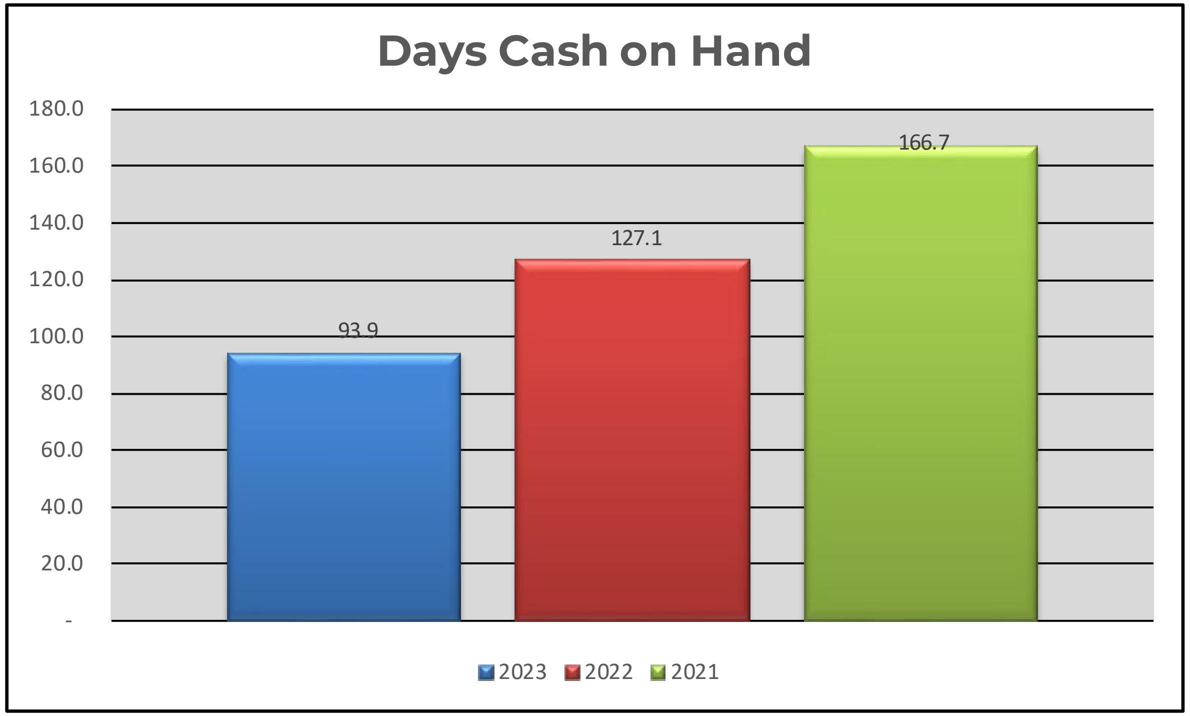
Financial Analysis

- Total margin includes the effect of nonoperating income, which is the tax subsidy.
- The District's total margin increased in 2023 due to improved operating margin.



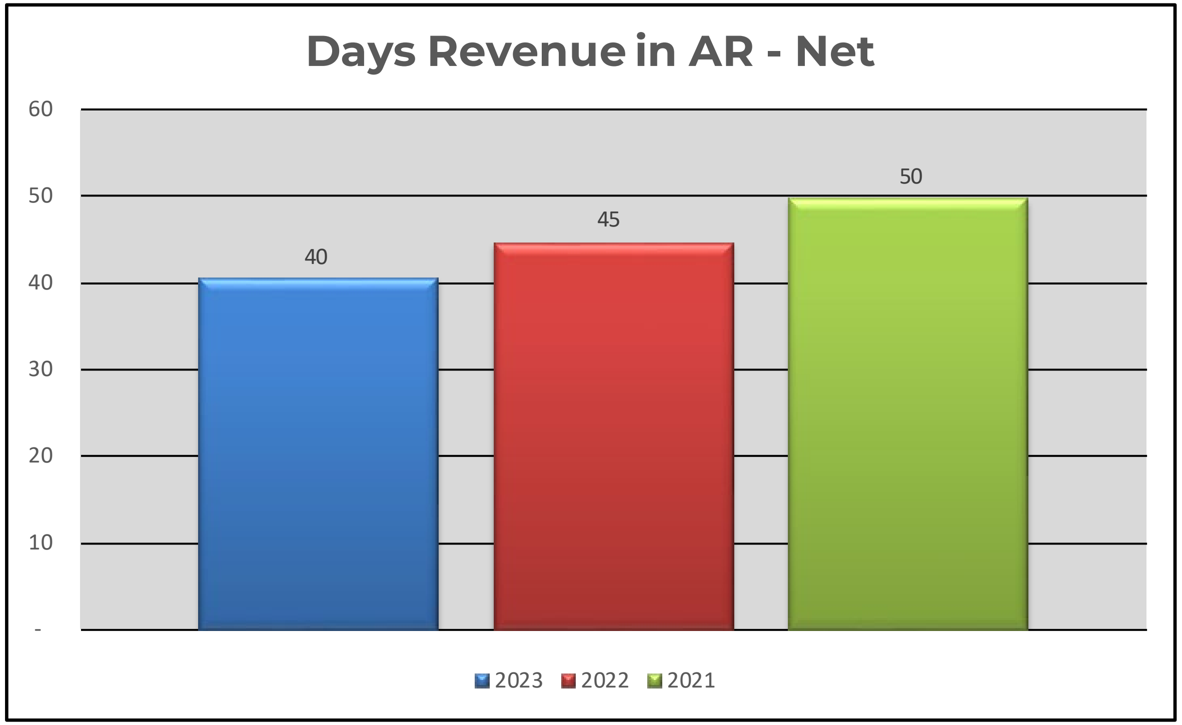
Financial Analysis

- Ratio measures the number of days of average cash expenses that the Organization maintains in cash and cash equivalents and short-term investments.
- The District's ratio decreased in 2023 due to increase investments, payments on long-term debt, purchases of equipment.



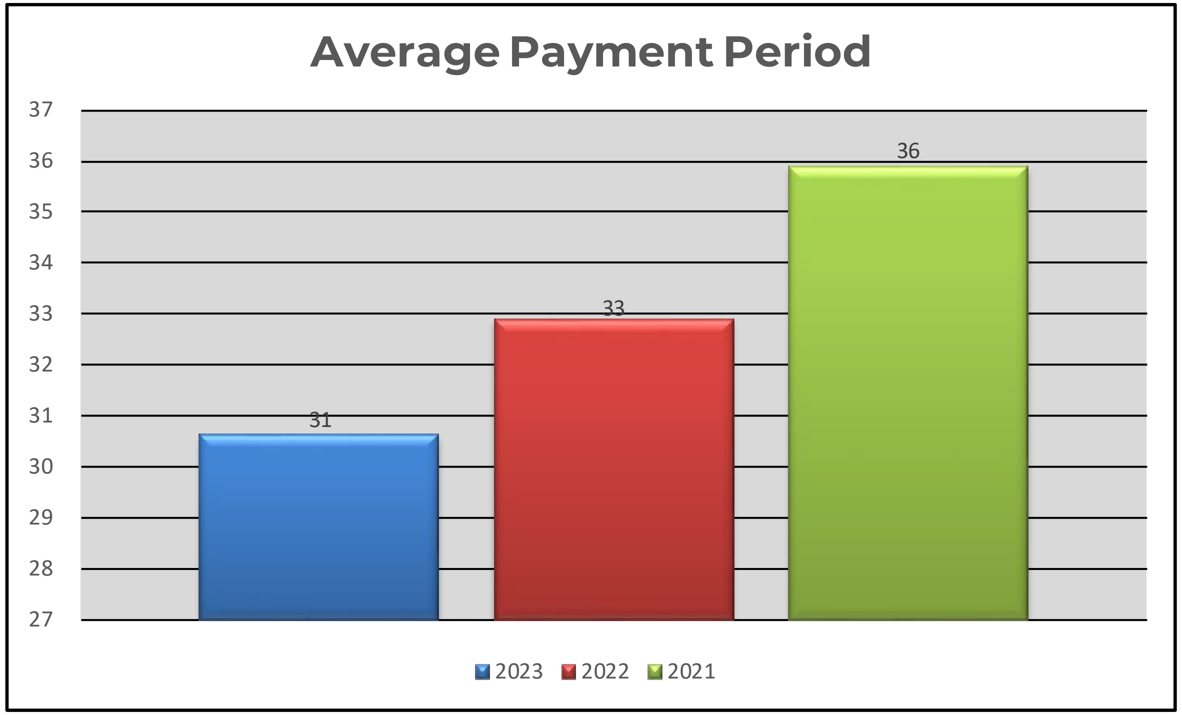
Financial Analysis

- Days revenue in patient accounts receivable measures the average time it takes to collect accounts.
- Decreasing values are desired.
- The District's ratio has decreased over the prior year.



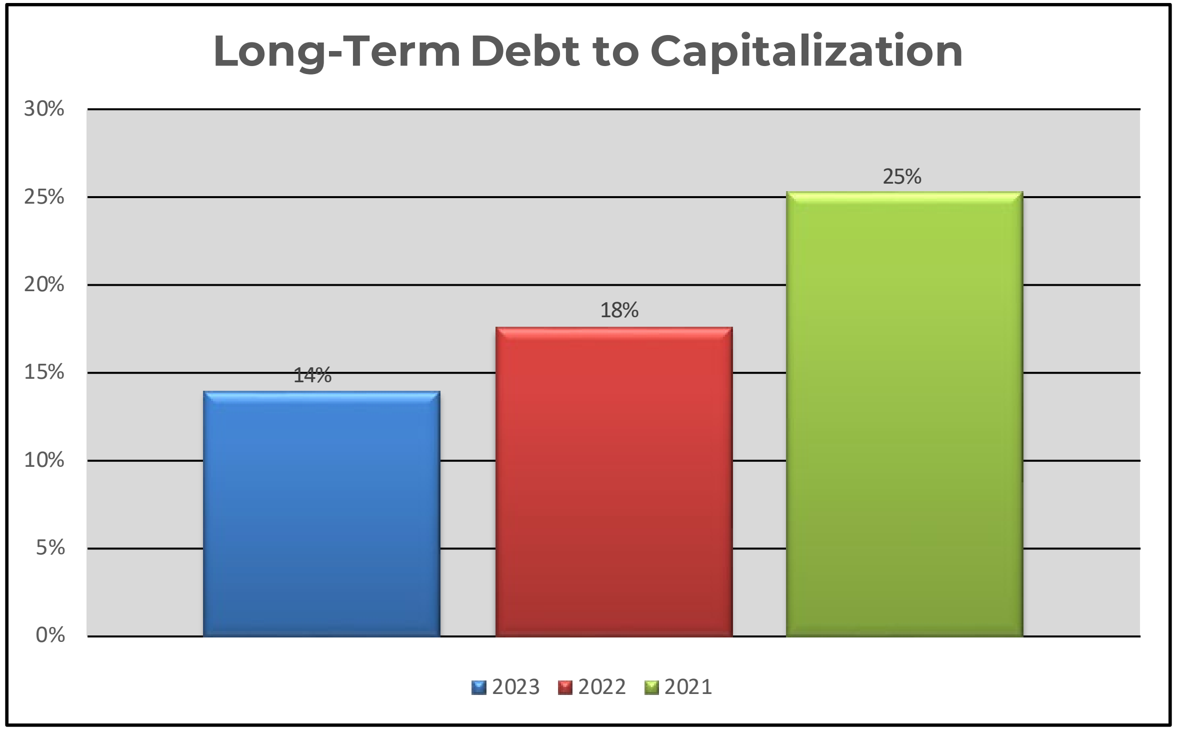
Financial Analysis

- Ratio measures the average number of days elapsed before current liabilities are paid.
- Decreasing values are desired.
- The District's ratio decreased by one day.



Financial Analysis

- Long-term debt to capitalization is defined as total long-term debt to the sum of net position plus the total long-term debt.
- Decreasing values are desired. A higher value indicates limited ability to carry additional debt.
- The District's long-term debt to capitalization ratio has decreased in 2023 due to the increase in overall net position.



Accounting Standards Update

- GASB Statement No. 101 – *Compensated absences*
  - Effective for FY 2024 for DPHD
  - Update to GASBS No. 16
  - Recognition of a liability for compensated absences that are earned and are probable to be settled in cash or other means, such as conversion to other type of benefits
  - Certain carve outs for special types of leave, such as bereavement
  - Adoption is full retrospective, restatement of all prior periods with a cumulative effect adjustment in the earliest period presented

Thank You

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