

Northern Inyo Healthcare District

Financial Statements and Supplemental
Information

Years Ended June 30, 2019 and 2018



NORTHERN INYO HEALTHCARE DISTRICT
One Team. One Goal. Your Health.

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Northern Inyo Healthcare District
Financial Statements and Supplementary Information
Years Ended June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Northern Inyo Healthcare District
Bishop, California

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Inyo Healthcare District and its discretely presented component unit as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Northern Inyo Healthcare District basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019 and 2018, and the changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States.

Required Supplementary Information

Accounting principles generally accepted in the United States require the schedule of changes in the net pension liability and related ratios and contributions on pages 51 through 54 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northern Inyo Healthcare District's financial statements as a whole. The combining financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provided any assurance on it.



Wipfli LLP

May 5, 2020
Oakland, California

Northern Inyo Healthcare District

Statements of Net Position

June 30, 2019 and 2018

<i>Assets and Deferred Outflows of Resources</i>	2019		2018	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Current assets:				
Cash and equivalents	\$ 26,467,080	\$ 136,306	\$ 21,034,292	\$ 119,812
Receivables:				
Patient accounts - Net	19,131,856	-	14,684,069	-
Other - Government agency	542,931	-	3,535,824	-
Inventories	2,431,341	-	3,256,568	-
Prepaid expenses and other	1,789,821	-	1,982,299	-
Total current assets	50,363,029	136,306	44,493,052	119,812
Other assets:				
Noncurrent cash and investments	6,647,888	-	7,377,420	-
Investment in PMA	501,030	-	379,758	-
Goodwill in PMA	581,219	-	581,219	-
Total other assets	7,730,137	-	8,338,397	-
Capital assets:				
Nondepreciable capital assets	1,683,741	352,694	1,464,183	341,260
Depreciable capital assets - Net	75,995,539	208,256	75,357,824	195,070
Capital assets - Net	77,679,280	560,950	76,822,007	536,330
Deferred outflows of resources - Pensions	13,637,748	-	13,550,703	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 149,410,194	\$ 697,256	\$ 143,204,159	\$ 656,142

Northern Inyo Healthcare District

Statements of Net Position (Continued)

June 30, 2019 and 2018

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	2019		2018	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Current liabilities:				
Bonds payable - Current portion	\$ 2,293,000	\$ -	\$ 2,092,000	\$ -
Capital lease obligation - Current portion	418,242	-	18,089	-
Accounts payable	5,317,531	-	3,656,555	-
Accrued interest	102,216	-	140,774	-
Accrued payroll and related liabilities	8,289,170	-	6,153,360	-
Due to third-party reimbursement program	245,338	-	1,300,000	-
Unearned revenue	22,268	-	68,644	-
Total current liabilities	16,687,765	-	13,429,422	-
Noncurrent liabilities:				
Bonds payable - Net of current portion	40,028,742	-	42,374,441	-
Accreted interest	13,520,264	-	12,193,679	-
Capital lease obligation - Net of current portion	1,744,533	-	-	-
Net pension liability	32,705,323	-	31,778,171	-
Total noncurrent liabilities	87,998,862	-	86,346,291	-
Total liabilities	104,686,627	-	99,775,713	-
Deferred inflows of resources - Pensions	3,459,270	-	4,037,270	-
Net position:				
Net investment in capital assets	32,652,367	-	32,198,861	-
Restricted for debt service	2,817,042	-	4,200,769	-
Restricted for programs	150,576	481,483	130,526	494,205
Unrestricted	5,644,312	215,773	2,861,020	161,937
Total net position	41,264,297	697,256	39,391,176	656,142
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 149,410,194	\$ 697,256	\$ 143,204,159	\$ 656,142

See accompanying notes to financial statements.

Northern Inyo Healthcare District

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2019 and 2018

	2019		2018	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Revenue:				
Net patient service revenue	\$ 96,391,518	\$ -	\$ 86,628,531	\$ -
Other operating revenue	798,862	200,669	1,176,188	197,879
Total revenue	97,190,380	200,669	87,804,719	197,879
Operating expenses:				
Salaries and wages	31,964,133	-	25,726,930	-
Employee benefits	21,534,871	-	20,374,657	-
Professional fees	11,309,459	1,860	13,195,960	3,251
Supplies	10,753,782	-	9,881,868	-
Purchased services	3,938,164	-	4,055,876	-
Depreciation	4,284,432	19,793	4,456,699	14,868
Other operating expenses	6,094,829	37,902	4,947,216	38,655
Total operating expenses	89,879,670	59,555	82,639,206	56,774
Income from operations	7,310,710	141,114	5,165,513	141,105
Nonoperating revenue (expenses):				
Tax revenue for operations	582,378	-	682,286	-
Tax revenue for debt services	1,671,511	-	1,543,646	-
Interest income	774,619	-	306,915	29
Interest expense	(2,927,530)	-	(2,892,775)	-
Noncapital grants and contributions	235,420	-	1,650,788	-
Medical office building, net	(6,210,601)	-	(4,760,636)	-
Total nonoperating revenue (expenses)	(5,874,203)	-	(3,469,776)	29
Excess of revenue over expenses	1,436,507	141,114	1,695,737	141,134
Capital grants and contributions	(500)	-	15,063	-
Distributions to PMA investors	-	(100,000)	-	(100,000)
Increase in net position	1,436,007	41,114	1,710,800	41,134
Net contribution from Pioneer Home Health	437,114	-	-	-
Net position at beginning	39,391,176	656,142	37,680,376	615,008
Net position at end	\$ 41,264,297	\$ 697,256	\$ 39,391,176	\$ 656,142

See accompanying notes to financial statements.

Northern Inyo Healthcare District

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019		2018	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities:				
Receipts from and on behalf of patients and third-party payors	\$ 91,217,069	\$ -	\$ 85,369,849	\$ -
Receipts from other operating revenue	3,417,379	205,746	(1,752,269)	197,879
Payments to employees	(51,101,087)	-	(43,575,196)	-
Payments to suppliers, contractors, and others	(29,362,829)	(44,839)	(30,063,186)	(41,906)
Net cash provided by operating activities	14,170,532	160,907	9,979,198	155,973
Cash flows from noncapital financing activities:				
District tax revenue for operations	582,378	-	682,286	-
Noncapital grants	235,420	-	1,650,788	-
Medical office building, net	(6,210,601)	-	(4,760,636)	-
Net cash used in noncapital financing activities	(5,392,803)	-	(2,427,562)	-
Cash flows from capital and related financing activities:				
District tax revenue for debt services	1,671,511	-	1,543,646	-
Capital grants and contributions	(500)	-	15,063	-
Principal paid on long-term debt	(1,610,205)	-	(1,902,000)	-
Principal paid on capital lease obligations	(254,806)	-	(128,221)	-
Interest paid	(2,228,721)	-	(1,663,279)	-
Payments for purchase of property and equipment	(2,742,213)	(44,413)	(1,545,596)	-
Net cash used in capital and related financing activities	(5,164,934)	(44,413)	(3,680,387)	-

Northern Inyo Healthcare District

Statements of Cash Flows (Continued)

Years Ended June 30, 2019 and 2018

	2019		2018	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Cash flows from investing activities:				
Interest received	\$ 774,619	\$ -	\$ 306,915	\$ 29
Purchases of investments	(676,902)	-	(3,416)	-
Partnership distributions/contributions	(121,272)	(100,000)	133,052	(100,000)
<hr/>				
Net cash provided by (used in) investing activities	(23,555)	(100,000)	436,551	(99,971)
<hr/>				
Net increase in cash and cash equivalents	3,589,240	16,494	4,307,800	56,002
Cash and cash equivalents at beginning	26,464,257	119,812	22,156,457	63,810
<hr/>				
Cash and cash equivalents at end	\$ 30,053,497	\$ 136,306	\$ 26,464,257	\$ 119,812

Reconciliation of cash and cash equivalents to the statements of net position:

Cash and cash equivalents	\$ 26,467,080	\$ 136,306	\$ 21,034,292	\$ 119,812
Noncurrent cash and investments:				
Bond payment funds - Under indenture agreement	2,242,042	-	2,745,825	-
Nursing scholarship fund	150,576	-	130,526	-
Restricted for bonds and interest	-	-	1,454,944	-
Internally designated for capital acquisitions	1,193,799	-	1,098,670	-
<hr/>				
Cash and cash equivalents	\$ 30,053,497	\$ 136,306	\$ 26,464,257	\$ 119,812

Noncash capital financing activities:

Assets acquired under capital lease obligations	\$ 2,399,492	\$ -	\$ -	\$ -
Transfer of equity in acquisition of Pioneer Home Health (PHH)	\$ 437,114	\$ -	\$ -	\$ -

Northern Inyo Healthcare District

Statements of Cash Flows (Continued)

Years Ended June 30, 2019 and 2018

	2019		2018	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Reconciliation of income from operations to net provided by operating activities:				
Income from operations	\$ 7,310,710	\$ 141,114	\$ 5,165,513	\$ 141,105
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation	4,284,432	19,793	4,456,699	14,868
Provision for bad debts	4,932,520	-	2,684,312	-
Capital expenditures charged to current year	-	-	54,272	-
Changes in assets and liabilities:				
Receivables:				
Patient accounts - Net	(9,380,307)	-	(3,675,449)	-
Other - Government agency	2,992,893	-	(3,499,900)	-
Inventories	825,227	-	739,990	-
Prepaid expenses and other	192,478	-	(627,014)	-
Accounts payable	1,715,700	-	1,850,486	-
Accrued payroll and related liabilities	2,135,810	-	1,887,683	-
Due to third-party reimbursement programs	(1,054,662)	-	312,681	-
Unearned revenue	(46,376)	-	(8,783)	-
Net pension liability	927,152	-	1,290,639	-
Change in deferred outflows	(87,045)	-	(185,318)	-
Change in deferred inflows	(578,000)	-	(466,613)	-
Total adjustments	6,859,822	19,793	4,813,685	14,868
Net cash provided by operating activities	\$ 14,170,532	\$ 160,907	\$ 9,979,198	\$ 155,973

See accompanying notes to financial statements.

Northern Inyo Healthcare District

Statement of Net Position of Pension Trust Fund - Plan

December 31, 2018

<i>Assets</i>	
Assets:	
Fixed dollar account	\$ 11,029,164
Indexed bond fund	11,054,845
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TOTAL ASSETS	\$ 22,084,009

<i>Net Position</i>	
Net position held in trust for pension benefits	\$ 22,084,009
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TOTAL NET POSITION	\$ 22,084,009

Northern Inyo Healthcare District

Statement of Changes in Net Position of Pension Trust Fund - Plan

Year Ended December 31, 2018

Additions:	
Employer contributions	\$ 6,300,000
Return on plan assets	(180,625)
<hr/>	
Total additions	6,119,375
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Deductions:	
Benefits paid	8,082,821
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Change in net position	(1,963,446)
Net position at beginning	24,047,455
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Net position at end	\$ 22,084,009

Northern Inyo Healthcare District

Statement of Net Position of Pension Trust Fund - PEPRA Plan

December 31, 2018

<i>Assets</i>	
Assets:	
Cash	\$ 82,769
TOTAL ASSETS	\$ 82,769

<i>Net Position</i>	
Net position held in trust for pension benefits	\$ 82,769
TOTAL NET POSITION	\$ 82,769

Northern Inyo Healthcare District

Statement of Changes in Net Position of Pension Trust Fund - PEPRA Plan

Year Ended December 31, 2018

Additions:	
Employee contributions	\$ 13,869
Employer contributions	13,868
<hr/>	
Total additions	27,737
<hr/>	
Change in net position	27,737
Net position at beginning	55,032
<hr/>	
Net position at end	\$ 82,769

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Northern Inyo Healthcare District (the "District") was organized in 1946 under the terms of the Local Health Care District Law and is operated and governed by an elected Board of Directors. The District includes a 25-bed acute care facility that provides inpatient, outpatient, emergency care services, and a rural health clinic in Bishop, California, and its surrounding area.

Northern Inyo Hospital Foundation, Inc. (the "Foundation") is a legally separate 501(c)(3) tax-exempt nonprofit public benefit corporation. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources, or income thereon that the Foundation holds and invests are restricted to the activities of the District by the Foundation's bylaws. The Foundation's Board of Directors may also restrict the use of such funds for capital asset replacement, expansion, or other specific purposes. The District shall appoint the Board of Directors for the Foundation per the Foundation's bylaws, and for this reason it is a blended component unit of the District.

Northern Inyo Hospital Auxiliary, Inc. (the "Auxiliary") is also a legally separate 501(c)(3) tax-exempt public benefit corporation. The Auxiliary's actions are subject to the approval of the District and for this reason it is a blended component unit of the District.

Pioneer Home Health Care, Inc. (PHH) is also a legally separate 501(c)(3) tax-exempt public benefit corporation. The District is the sole corporate owner of PHH and for this reason it is a blended component unit of the District.

Discretely Presented Component Unit

Pioneer Medical Associates (PMA) is a partnership established by a group of physicians and practitioners in 1986 within the District campus at 152 Pioneer Lane. In an effort to support the continued recruitment for physicians and services, it has been the practice of the District to work with the PMA partners when appropriate and directed by the Board of Directors to purchase practices of individuals or groups who are leaving the area or retiring. The District currently owns a 66.67% interest in the partnership through acquisitions. PMA is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from the District. Separate financial statements for the component unit are not available.

Basis of Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The District considers significant accounting estimates to be those that require more significant judgments and include the valuation of accounts receivable, including contractual allowances and provision for uncollectible accounts, estimated third-party payor settlements, and an estimate for claims incurred, but not reported under a self-funded health insurance plan.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding noncurrent cash and investments.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. government or its agencies; bankers' acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, and obligations with first-priority security; and collateralized mortgage obligations.

All investments are stated at fair value. Investment gain (loss) includes changes in fair value of investments, interest, and realized gains and losses.

Patient Receivables and Credit Policy

Patient receivables are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patient's responsibility. Payments on patient receivables are applied to the specific claim identified on the remittance advice or statement. The District does not have a policy to charge interest on past due accounts.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Receivables and Credit Policy (Continued)

The carrying amounts of patient receivables are reduced by allowances that reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient receivables. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowance for uncollectible accounts based on its assessment of historical collection experience and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to patient receivables.

Patient receivables are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts.

The District has a discount policy established for residents of the district. Details of forgone charges related to discounts are discussed further in Note 5.

Investment in PMA

Investment in a partnership is carried at the District's equity in the partnership's net assets. The partnership was organized to provide real estate for PMA. Ownership of the partnership consists of the District and local physicians.

Goodwill in PMA

Goodwill represents the excess of purchase price of an acquired business over the identifiable intangible assets acquired and liabilities assumed in connection with the acquisition of practices in PMA. The District reviews for impairment of goodwill on an annual basis, and this is amortized when a change in the expected duration of the intangible asset has occurred. No goodwill impairment was recognized in 2019 and 2018.

Inventories

Inventories are stated at the lower of cost, determined on the average cost method, or net realizable value.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets held under indenture agreements, assets held to service debt under the bond issue, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may, at its discretion, use for other purposes.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as significant unobservable inputs therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Assets or liabilities measured and reported at fair value are classified and disclosed in one of the three following categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, those are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Capital Assets and Depreciation

Capital assets are recorded at cost if purchased or fair value at date received if contributed. The District capitalizes assets using the criteria established by the Office of Statewide Health Planning and Development (OSHPD):

Land, land improvements, buildings, and fixed equipment	\$3,000
Major movable equipment	3,000

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Estimated useful lives range from 2 to 25 years for land improvements, buildings and improvements, leasehold improvements, and fixed equipment and from 3 to 20 years for equipment.

Accreted Interest

Interest expense on capital appreciation bonds is being accreted on the straight line basis to maturity of the individual bonds.

Asset Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment, or approval of laws or regulations or other changes in environmental factors; technological changes or evidence of obsolescence; changes in the manner or duration of use of a capital asset; and construction stoppage. The determination of the impairment loss is dependent on the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position. There were no impairment losses recorded in the years ended June 30, 2019 and 2018.

Compensated Absences

The District accrues all leave time for employees as paid time-off (PTO) in the financial statements. In addition, employees hired prior to January 1, 2003, might have accumulated additional sick leave for major medical health problems. Usage of the additional sick leave must be approved by management.

The total potential liability of the District's accumulated sick leave for major medical is approximately \$140,000 and \$154,000 for the years ended June 30, 2019 and 2018, respectively. Such benefits do not vest; therefore, no liability has been accrued.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Retirement Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the pension net position of the District Retirement Plan ("the Plan") and Northern Inyo Healthcare District PEPRA Retirement Plan (the "PEPRA Plan") and additions to/deductions from the plans' pension net position have been determined on the same basis as they are reported by the Plan and PEPRA Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue

Unearned revenue consists of tax collections the District received from the local tax agency. Amounts expected to be recognized in revenue within one year have been reclassified to current liabilities in the accompanying statements of net position.

Net Position

Net position of the District is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted for debt service is cash that must be used for payments toward debt service. Restricted for programs is cash that must be used for nursing scholarships, as specified by external contributors. Unrestricted is remaining net position that does not meet the definitions above.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The District maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services. Nonexchange revenue, including taxes, investment gain, grants, contributions received for purposes other than capital asset acquisition, and certain other revenue, is reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

District Property Tax Revenue

The District has the authority to impose taxes on property within the boundaries of the health care district. Taxes are received from Inyo County (the "County"), which bills and collects the taxes for the District. Secured property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on November 1 and February 1.

Grants and Contributions

The District receives grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue (expenses).

Advertising Costs

Advertising costs are expensed as incurred.

Tax Status

The District is a local agency of the State of California within the meaning of Section 56054 of the California Government Code. Accordingly, the District is exempt from federal income and state income, property, and franchise taxes. The District is not exempt for California Sales Tax and pays sales tax as required based on the type of product and or service purchased.

Unemployment Compensation

The District is a part of a pooled unemployment insurance group through California Association of Hospital and Healthcare Systems (CAHHS) for unemployment insurance and does not pay state unemployment tax. Cost incurred were \$58,929 and \$66,652, in 2019 and 2018, respectively.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category. The District reports deferred outflows of resources related to pensions for its proportionate share of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the statements of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents a acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category. The District reports deferred inflows of resources related to pensions for its proportionate share of collective deferred inflows of resources related to pensions.

Deferred Financing Costs

Costs related to obtaining long-term financing from HUD are deferred and amortized using accelerated methods over the term of the related mortgage.

New Accounting Pronouncements

Management elected early-adopt GASB Statement No. 87, Leases. This statement requires lease assets and liabilities to be recorded on the statement of net position for the year ended June 30, 2019. The statement is not expected to have a significant effect on these financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. Such reclassifications have no effect on the previously-reported amounts of net position.

Subsequent Events

Subsequent events have been evaluated through May 5, 2020, which is the date the financial statements were available to be issued.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors

The District has agreements with third-party payors that provide for reimbursement to the District at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital

Medicare – The Medicare program has designated the District as a critical access hospital (CAH) for Medicare reimbursement purposes. Under this designation, District inpatient, outpatient, and swing bed services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain lab and mammography services, which are reimbursed based on fee schedules. The cost-based payments are reduced by a two percent mandatory reduction called sequestration. Sequestration reductions for Medicare hospital services were approximately \$490,000 and \$485,000 for 2019 and 2018, respectively.

Medi-Cal – Under CAH designation, the District inpatient and swing bed services rendered to Medi-Cal program beneficiaries were paid on a cost-based reimbursement methodology through June 30, 2015. As of July 1, 2015, the State of California established rates are based on the most recently audited cost report for the District. There are no settlements for cost based methods after June 30, 2015. The reimbursement for outpatient services is based on a fee schedule. Starting in 2014, the State of California expanded the provision of coverage to managed care organization in rural California. The District applied for and received supplemental reimbursements for its inpatient and outpatient services during 2019 and 2018. The supplemental reimbursements are based on a cost based reimbursement method. This method does not guarantee that all cost are recovered after the Federal match and administrative fees are paid.

Physician and Professional Services in Rural Health Clinics

Certain physician and professional services rendered to Medicare and Medi-Cal beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology. The cost based reimbursement payments from Medicare are reduced by a two percent mandatory reduction called sequestration. The sequestration reductions for the Rural Health Clinic services was approximately \$50,000 and \$39,000 for 2019 and 2018, respectively.

Hospital Based and Free Standing Physicians and Professional Services

The District has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes discounts from established charges and prospectively determined daily rates.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Accounting for Contractual Arrangements

The District is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit or review of the District's related annual cost reports by the Medicare Administration Contractor. Estimated provisions to approximate the final expected settlements are included in the accompanying statements of net position as due to third-party reimbursement provisions. The cost reports for the District have been final settled through June 30, 2017.

Other Governmental Program Revenue

Supplemental and incentive payments from other governmental programs are netted within net patient service revenue on the statements of revenues, expenses, and changes in net position as a component of contractual adjustments. These amounts include Public Hospital Redesign and Incentives in Medi-Cal (PRIME) payments, Assembly Bill No. 915 (AB915) incentive income, California Hospital Quality Assurance Fee (HQAF) program, and other supplemental income from Anthem and California Health and Wellness (CHW).

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medi-Cal programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violation of these laws and regulations could result in the imposition of fines and penalties, as well as repayments of previously billed and collected revenue from patient services.

CMS uses recovery audit contractors (RAC) to search for potentially inaccurate Medicare payments that might have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of June 30, 2019, the District has not been notified by the RAC of any potential significant reimbursement adjustments.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents and Investments

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

The California Government Code requires that a financial institution secure 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 governmental unit). The market 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 public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

At June 30, 2019, the net carrying amount of deposits was \$3,542,390, and the bank balance was \$5,743,602. Of the bank balance, \$250,000 was covered by federal deposit insurance, and \$4,535,121 was collateralized (i.e., collateralized with securities held by the pledging financial institutions of at least 110% of the District's cash deposits, in accordance with the California Government Code).

Investments

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy includes its investment portfolio to the Local Agency Investment Guidelines promulgated by the California Debt & Investment Advisory Commission.

The District is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The LAIF investment portfolio consists primarily of treasury bills, notes, and certificates of deposit.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents and Investments (Continued)

Investments included in cash and cash equivalents and noncurrent cash and investments consisted of the following at June 30, 2019:

	Fair Value	Remaining Maturity (in Years)			
		0-1	1-5	5-10	More Than 10
Assets - Included in cash and cash equivalents:					
LAIF	\$ 22,928,543	\$ 22,928,543	\$ -	\$ -	\$ -
Subtotal	22,928,543	22,928,543	-	-	-
Assets - Included in noncurrent cash and investments:					
Certificates of deposit	2,486,471	150,305	2,336,166	-	-
Fixed income securities	575,000	-	-	575,000	-
Subtotal	3,061,471	150,305	2,336,166	575,000	-
Totals	\$ 25,990,014	\$ 23,078,848	\$ 2,336,166	\$ 575,000	\$ -

Northern Inyo Healthcare District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents and Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit and fixed-income securities are valued at cost, which approximates fair value and are not rated by the national rating agencies.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value at June 30:

2019	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Fixed income securities	\$ -	\$ 575,000	\$ -	\$ 575,000
Certificates of deposit	-	2,486,471	-	2,486,471
Totals	\$ -	\$ 3,061,471	\$ -	\$ 3,061,471

2018	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Fixed income securities	\$ -	\$ 951,395	\$ -	\$ 951,395
Certificates of deposit	-	996,060	-	996,060
Totals	\$ -	\$ 1,947,455	\$ -	\$ 1,947,455

Employees' Retirement System - The District's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the District's investments; all investment decisions are subject to California law and the investment policy established by the governing body. The District's investments are held by a trust company.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents and Investments (Continued)

The District's retirement system investments are stated at net asset value (NAV) and fair value. The fixed dollar fund is stated at NAV, which is determined based on the total value of all investments in its portfolio minus the value of liabilities. The index bond fund is stated at fair value, using a level one measurement (Level 1), which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the District's governing body, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts, which reasonably approximate fair value.

Following is a summary of the District's investments as of June 30:

	2019	2018
Fixed dollar fund	\$ 11,029,164	\$ 12,929,366
Indexed bond fund	11,054,845	11,118,089
Totals	\$ 22,084,009	\$ 24,047,455

Credit Risk - 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 assignment of a rating by a nationally recognized statistical rating organization. The District has an investment policy that limits its investment choices by credit rating. LAIF is not rated.

Concentration of Credit Risk - The California Government Code limits the purchase of certain investments to defined percentages of the investment portfolio.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to the transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investment policy does not limit the exposure to custodial credit risk for investments. All investments are held by the District's agent in the District's name and, therefore, are not exposed to custodial risk.

Noncurrent cash and investments that are required for obligations classified as current liabilities are reported in current assets.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents and Investments (Continued)

Noncurrent cash and investments consisted of the following at June 30:

	2019	2018
Noncurrent cash and other investments		
External restrictions:		
Bond payment funds - Under indenture agreement	\$ 2,242,042	\$ 2,745,825
Nursing scholarship fund	150,576	130,526
Bonds and interest	-	1,454,944
Board designations:		
Internally designated for capital acquisitions	1,193,799	1,098,670
Fixed income, corporate bonds - Future operations	575,000	951,395
Certificates of deposit - Future operations	2,486,471	996,060
Total noncurrent cash and investments	\$ 6,647,888	\$ 7,377,420

Note 4: Patient Receivables - Net

Patient receivables - net consisted of the following at June 30:

	2019	2018
Gross accounts receivable	\$ 47,148,062	\$ 29,807,652
Less:		
Contractual adjustments	24,557,937	13,368,583
Allowance for uncollectible accounts	3,458,269	1,755,000
Patient receivable - Net	\$ 19,131,856	\$ 14,684,069

The District gross days in accounts receivable was 110.64 and 72.72 for 2019 and 2018, respectively.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 5: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended June 30:

	2019	2018
Gross patient service revenue:		
Inpatient services	\$ 35,743,626	\$ 44,036,028
Outpatient services	119,739,909	105,583,048
Totals	155,483,535	149,619,076
Less:		
Contractual adjustments	54,159,497	60,306,233
Provision for uncollectible accounts	4,932,520	2,684,312
Net patient service revenue	\$ 96,391,518	\$ 86,628,531

The following table reflects the percentage of gross patient service revenue by payor source for the years ended June 30:

	2019	2018
Medicare	36 %	45 %
Medi-Cal	23 %	21 %
Other third-party payors	31 %	30 %
Patients	10 %	4 %
Totals	100 %	100 %

The amount of charges foregone for services and supplies furnished under the District's discount policy aggregated approximately \$326,000 and \$439,000 for the years ended June 30, 2019 and 2018, respectively.

Note 6: Charity Care

The District provides health care services and other financial support through various programs that are designed, in part, to enhance the health of the community including the health of low-income patients. Consistent with the mission of the District, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$1,101,505 and \$1,696,883 for the years ended June 30, 2019 and 2018, respectively.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 6: Charity Care (Continued)

The estimated cost of providing care to patients under the District's charity care policy aggregated approximately \$617,000 and \$950,000 in 2019 and 2018, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the District times the gross uncompensated charges associated with providing charity care.

Note 7: Capital Assets

The District's capital assets activity consisted of the following:

	2019				
	Balance July 1, 2018	Additions	Transfers	Deletions	Balance June 30, 2019
Nondepreciable capital assets:					
Land	\$ 735,330	\$ 130,000	\$ -	\$ -	\$ 865,330
Construction in progress	728,853	405,819	(316,261)	-	818,411
Total nondepreciable capital assets	1,464,183	535,819	(316,261)	-	1,683,741
Depreciable capital assets:					
Land improvements	867,086	-	-	-	867,086
Buildings	87,840,944	1,306,126	-	-	89,147,070
Equipment	32,383,124	3,299,760	316,261	(11,081)	35,988,064
Total depreciable capital assets	121,091,154	4,605,886	316,261	(11,081)	126,002,220
Less - Accumulated depreciation	45,733,330	4,284,432	-	(11,081)	50,006,681
Net depreciable capital assets	75,357,824	321,454	316,261	-	75,995,539
Totals	\$ 76,822,007	\$ 857,273	\$ -	\$ -	\$ 77,679,280

At June 30, 2019, construction in progress consisted of pharmacy clean room, major equipment, lab software, and a building retrofit. The projects are expected to be completed during fiscal year 2020 and the cost to complete is estimated to be less than \$1,651,000.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 7: Capital Assets (Continued)

The District's capital assets activity consisted of the following:

	2018				
	Balance July 1, 2017	Additions	Transfers	Deletions	Balance June 30, 2018
Nondepreciable capital assets:					
Land	\$ 735,330	\$ -	\$ -	\$ -	735,330
Construction in progress	225,814	636,319	(79,008)	(54,272)	728,853
Total nondepreciable capital assets	961,144	636,319	(79,008)	(54,272)	1,464,183
Depreciable capital assets:					
Land improvements	867,086	-	-	-	867,086
Buildings	87,809,217	10,872	20,855	-	87,840,944
Equipment	31,426,566	898,405	58,153	-	32,383,124
Total depreciable capital assets	120,102,869	909,277	79,008	-	121,091,154
Less - Accumulated depreciation	41,276,631	4,456,699	-	-	45,733,330
Net depreciable capital assets	78,826,238	(3,547,422)	79,008	-	75,357,824
Totals	\$ 79,787,382	\$ (2,911,103)	\$ -	\$ (54,272)	\$ 76,822,007

Northern Inyo Healthcare District

Notes to Financial Statements

Note 7: Capital Assets (Continued)

PMA's capital assets activity consisted of the following:

2019				
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Nondepreciable capital assets:				
Land	\$ 341,260	\$ 11,434	\$ -	\$ 352,694
Total nondepreciable capital assets	341,260	11,434	-	352,694
Depreciable capital assets - Buildings	1,043,214	32,979	-	1,076,193
Less - Accumulated depreciation	848,144	19,793	-	867,937
Net depreciable capital assets	195,070	13,186	-	208,256
Totals	\$ 536,330	\$ 24,620	\$ -	\$ 560,950

2018				
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable capital assets:				
Land	\$ 341,260	\$ -	\$ -	\$ 341,260
Total nondepreciable capital assets	341,260	-	-	341,260
Depreciable capital assets - Buildings	1,043,214	-	-	1,043,214
Less - Accumulated depreciation	833,276	14,868	-	848,144
Net depreciable capital assets	209,938	(14,868)	-	195,070
Totals	\$ 551,198	\$ (14,868)	\$ -	\$ 536,330

Northern Inyo Healthcare District

Notes to Financial Statements

Note 8: Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations activity consisted of the following:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts due within 1 year
Bonds payable:					
2016 General Obligation Refunding Bond	\$ 16,997,000	\$ -	\$ (287,000)	\$ 16,710,000	\$ 293,000
General Obligation Bonds, 2009 Series:					
Current Interest Bonds	1,590,000	-	(725,000)	865,000	-
Capital Appreciation Bonds	8,144,947	-	-	8,144,947	865,000
Revenue Bonds, 2010 Series	7,420,000	-	(740,000)	6,680,000	785,000
Revenue Bonds, 2013 Series	9,780,000	-	(340,000)	9,440,000	350,000
Subtotal bonds payable	43,931,947	-	(2,092,000)	41,839,947	2,293,000
Bond premiums:					
General Obligation Bonds:					
2009 Series	391,487	-	(37,645)	353,842	-
Revenue Bonds, 2013 Series	143,007	-	(15,054)	127,953	-
Total bonds payable	44,466,441	-	(2,144,699)	42,321,742	2,293,000
Accreted Interest - General Obligation Bonds, 2009 Series, Capital Appreciation Bonds					
	12,193,679	1,326,585	-	13,520,264	-
Capital lease obligations:					
GE Financing 2	18,089	-	(18,089)	-	-
Orchard Software	-	232,308	(150,015)	82,293	70,360
Intuitive Surgical	-	1,775,000	(19,782)	1,755,218	290,009
7 Medical	-	392,184	(66,920)	325,264	57,873
Total capital leases payable	18,089	2,399,492	(254,806)	2,162,775	418,242
Totals	\$ 56,678,209	\$ 3,726,077	\$ (2,399,505)	\$ 58,004,781	\$ 2,711,242

Northern Inyo Healthcare District

Notes to Financial Statements

Note 8: Long-Term Debt and Capital Lease Obligations (Continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30,2018	Amounts due within 1 year
Bonds payable:					
2016 General Obligation Refunding Bond	\$ 17,279,000	\$ -	\$ (282,000)	\$ 16,997,000	\$ 287,000
General Obligation Bonds, 2009 Series:					
Current Interest Bonds	2,185,000	-	(595,000)	1,590,000	725,000
Capital Appreciation Bonds	8,144,947	-	-	8,144,947	-
Revenue Bonds, 2010 Series	8,120,000	-	(700,000)	7,420,000	740,000
Revenue Bonds, 2013 Series	10,105,000	-	(325,000)	9,780,000	340,000
Subtotal bonds payable	45,833,947	-	(1,902,000)	43,931,947	2,092,000
Bond premiums:					
General Obligation Bonds:					
2009 Series	463,394	-	(71,907)	391,487	-
Revenue Bonds, 2013 Series	158,060	-	(15,053)	143,007	-
Total bonds payable	46,455,401	-	(1,988,960)	44,466,441	2,092,000
Accreted Interest - General Obligation Bonds, 2009 Series, Capital Appreciation Bonds					
	10,867,094	1,326,585	-	12,193,679	-
Capital lease obligations:					
Bank of the West-Trinity Hospital Equipment					
	43,251	-	(43,251)	-	-
GE Financing 2	50,645	-	(32,556)	18,089	18,089
GE Financing 3	52,414	-	(52,414)	-	-
Total capital leases payable	146,310	-	(128,221)	18,089	18,089
Total	\$ 57,468,805	\$ 1,326,585	\$ (2,117,181)	\$ 56,678,209	\$ 2,110,089

Northern Inyo Healthcare District

Notes to Financial Statements

Note 8: Long-Term Debt and Capital Lease Obligations (Continued)

The terms and due dates of the District's long-term debt and capital lease obligations at June 30, 2019, consist of the following:

Long-Term Debt

General Obligation Bonds, 2009 Series

On April 21, 2009, the District issued \$14,464,947 in General Obligation Bonds, 2009 Series to finance the construction and equipping of an expansion and renovation of the Hospital. The 2009 Bonds consist of two types of bonds, Current Interest Bonds and Capital Appreciation Bonds, issued in the amounts of \$6,320,000 and \$8,144,947, respectively.

Interest on the Current Interest Bonds is payable semiannually on May 1 and November 1 at 5.75%. Current Interest Bonds mature annually commencing on November 1, 2012, through November 1, 2019, in amounts ranging from \$60,000 to \$865,000, as well as a bond maturing on November 1, 2038, for \$3,150,000. Interest on the Capital Appreciation Bonds is accreted annually and paid at maturity. The Capital Appreciation Bonds mature annually commencing on November 1, 2020, through November 1, 2038, in amounts ranging from \$1,020,000 to \$3,420,000, inclusive of interest accreted through such maturity dates.

The Current Interest Bonds maturing on November 1, 2038, may be called by the District beginning November 1, 2017. The Capital Appreciation Bonds are not subject to redemption prior to their fixed maturity dates. The Current Interest Bond debt was partially extinguished in 2016 using proceeds from the issuance of the 2016 General Obligation Refunding Bond.

Revenue Bonds, 2010 Series

On April 14, 2010, the District issued \$11,600,000 in Revenue Bonds, 2010 Series to finance the replacement hospital, finance the bond reserve account, and pay certain costs of issuance related to the 2010 Bonds.

Interest on the 2010 Bonds is payable semiannually on June 1 and December 1 at rates ranging from 5.000% to 6.375%. Mandatory sinking fund deposits to retire the bonds on their term maturity dates, ranging from \$510,000 to \$1,145,000, are due annually through December 2025.

The 2010 Bonds maturing on December 1, 2021, may be called by the District beginning December 1, 2016.

The District is required to maintain certain covenants and provide various reporting under the agreement.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 8: Long-Term Debt and Capital Lease Obligations (Continued)

Revenue Bonds, 2013 Series

On January 17, 2013, the District issued \$11,335,000 in Revenue Bonds, 2013 Series to finance the replacement hospital, finance the bond reserve account, and pay certain costs of issuance related to the 2013 Bonds.

Interest on the 2013 Bonds is payable annually on December 1 at rates ranging from 3.875% to 5.000%. Mandatory sinking fund deposits to retire the bonds on their term maturity dates, ranging from \$295,000 to \$1,805,000, are due annually through December 2029.

The 2013 Bonds maturing on December 1, 2027, may be called, without premium, by the District on December 1, 2013, through December 1, 2015.

2016 General Obligation Refunding Bond

On May 12, 2016, the District issued \$17,557,000 in a 2016 General Obligation Refunding Bond, to refinance the General Obligation Bonds, 2005 Series in whole and to pay a portion of General Obligation Bonds, 2009.

Interest on the 2016 bond is payable semiannually on November 1 and May 1 at a rate of 3.450%. Mandatory sinking fund deposits to retire the bonds on their term maturity dates, ranging from \$278,000 to \$1,874,000, are due annually through December 2035.

Capital Lease Obligations

Lease obligations to Orchard Software are due in total monthly installments of \$5,989 in October 2018 through 2021, including interest at 3.000%.

Lease obligations to Intuitive Surgical are due in total monthly installments of \$24,344 in March 2019 through 2024, including interest at 3.500%.

Lease obligations to Ascention Capital for 7 Medical are due in total monthly installments of \$5,447 in October 2018 through 2025, including interest at 2.500%.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 8: Long-Term Debt and Capital Lease Obligations (Continued)

Advanced Refunding

The District issued \$17,557,000 in General Obligation Refunding Bonds ("2016 GOR Bond") with interest rates of 3.45% in November 2016. The proceeds were used to advance refund and considered defeased \$3,150,000 of outstanding General Obligation Bonds Election of 2005, Series 2009 ("2009 GO Bond"), which had interest rates of 5.75% and General Obligation Bonds Election of 2005, Series 2005 ("2005 GO Bond"), which had varying interest rates of 6.00% to 4.25%. Net proceeds of \$17,281,182 were derived from the issuance of the 2016 GOR bonds at par, including a \$9,103 premium, and after payment of \$275,818 in underwriting fees. Of the net proceeds, \$17,281,182 was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the 2005 GO Bond and 2009 GO Bond, and \$276,071 was used for issuance and other costs. As a result, the 2005 GO Bond and 2009 GO Bonds are considered defeased, and the liability for those bonds has been removed from the statements of net position. The District advance refunded bonds to reduce its total debt service payments and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$30,996. On June 30, 2018, \$3,150,000 of bonds outstanding are considered defeased.

Scheduled principal and interest payments on long-term obligations are as follows:

<i>Years Ending June 30,</i>	Long-Term Debt	
	Principal	Interest
2020	\$ 2,293,000	\$ 1,397,010
2021	1,997,219	1,909,063
2022	2,112,448	1,913,015
2023	2,262,173	1,887,856
2024	2,544,996	1,732,485
2025-2029	14,571,948	8,852,139
2030-2034	10,625,498	9,525,081
2035-2039	5,914,460	12,688,636
Totals	\$ 42,321,742	\$ 39,905,285

Northern Inyo Healthcare District

Notes to Financial Statements

Note 8: Long-Term Debt and Capital Lease Obligations (Continued)

<i>Years Ending June 30,</i>	Capital Leases
	Principal and Interest Payments
2020	\$ 418,242
2021	440,011
2022	407,967
2023	395,598
2024	560,354
2025-2029	23,994
Less: Amounts attributable to interest	(83,391)
Total	\$ 2,162,775

Note 9: Leases

The District leases office space in a medical office building under a noncancelable operating lease as an agreement with PMA that expires in 2018. In June 29, 2017, the District entered into an operating lease agreement with Athena Health for electronic health records and financial accounting system, which the lease term begins October 2018, and automatically extends yearly unless terminated.

The future minimum required payments by year and in the aggregate under the noncancelable operating lease, as of June 30, 2019, are as follows:

	2019
2020	\$ 1,276,393
2021	1,276,393
2022	1,276,393
2023	1,276,393
2024 and beyond	1,276,393
Total	\$ 6,381,965

Total building rent expense for the years ended June 30, 2019 and 2018, was \$1,168,032 and \$1,048,657, respectively.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 10: Pledged Revenue

The District has pledged future revenue to repay \$11,600,000 million in District revenue bonds issued in March 2010. Proceeds from the bonds are to provide a portion of the funding for its replacement hospital project. The bonds are payable solely from revenues through 2025. The total principal and interest remaining to be paid on the bonds is \$-. Principal and interest paid for the current year and revenues were \$1,178,638 and \$97,190,380, respectively.

The District has pledged future revenue to repay \$11,335,000 in District revenue bonds issued in January 2013. Proceeds from the bonds are to provide a portion of the funding for its remodeling, expansion, improvement, and equipping of the facility. The bonds are payable solely from revenues through 2029. The total principal and interest remaining to be paid on the bonds is \$13,451,231. Principal and interest paid for the current year and revenues were \$768,750 and \$71,823,552, respectively.

Note 11: Retirement Plans

Defined Benefit Plan - The Plan

The District sponsors a single-employer defined benefit pension plan for employees over age 21 with at least one year of service. The plan is governed by the Board of Directors, which may amend benefits and other plan provisions and which is responsible for the management of plan assets. The primary factors affecting the benefits earned by participants in the pension plan are employees' years of service and compensation levels.

The District provides service retirement and pre-retirement death benefits to plan members, who must be District employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for pre-retirement death benefits after five years of service. The benefit vesting schedule is 50% vesting after five years, increasing 10% per year to 100% vested after 10 years of service.

Active participants automatically become 100% vested upon attainment of normal retirement age or if they become totally and permanently disabled.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

Hire date	Prior to January 1, 2013
Benefit Payments	Life Annuity
Retirement Age	65-70
Monthly benefits, as a % of eligible compensation	2.50%, not less than \$600
Required employer contribution rates	22.1% of applicable payroll

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

Employees covered at January 1, 2019, by the benefit terms for the Plan are as follows:

Inactive employees or beneficiaries currently receiving benefits	77
Active employees	155
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Total	232
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The employer contribution rates are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of January 1 by the Plan. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of January 1, 2019, rolled forward to June 30, 2019, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

The total pension liabilities in the January 1, 2019, actuarial valuations were determined using the following actuarial assumptions:

Valuation date (actuarial valuation date)	January 1, 2019
Measurement date (net pension liability measured)	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions	
Discount rate	5.00%
Projected salary increase	4.00%
Investment rate of return	5.00%
Mortality: Pre-retirement	RP-2014 Healthy Mortality w/generational projection from 2006, base year using scale MP-2017.
Mortality: Post-retirement (annuity elected)	RP-2014 Healthy Mortality w/generational projection from 2006, base year using scale MP-2017.
Mortality: Post-retirement (lump sum elected)	Based on date of participation DOP before 7/1/2009: 1984 UP, Mortality table set back four years. DOP on/after 7/1/2009: RP-2000. Table for males set back four years.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<i>Asset Class</i>	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	2.75 %
U.S. fixed income	50.05 %	4.24 %
U.S. governmental bonds	7.49 %	3.68 %
U.S. credit bonds	12.24 %	4.96 %
U.S. mortgages	8.49 %	4.44 %
U.S. bank/leveraged loans	14.73 %	5.50 %
U.S. high yield bonds	3.00 %	6.23 %
Private equity	3.00 %	11.96 %
Total	100.00 %	

The changes in the net pension liability of the Plan are as follows for the year ended June 30, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	\$ 57,266,032	\$ 25,492,382	\$ 31,773,650
Changes for the year:			
Service cost incurred	2,174,400	-	2,174,400
Interest on total pension liability	2,748,540	-	2,748,540
Differences between actual and expected experience	2,751,955	-	2,751,955
Changes in assumptions	(87,727)	-	(87,727)
Benefit payments	(9,049,661)	(9,049,661)	-
Contributions - Employer	-	6,060,000	(6,060,000)
Net investment income	-	680,602	(680,602)
Administrative expense	-	(67,342)	67,342
Totals	\$ 55,803,539	\$ 23,115,981	\$ 32,687,558

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

The following presents the net pension liability of the District's Plan, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

1% decrease	4.00%
Net pension liability	\$39,470,843
Current discount rate	5.00%
Net pension liability	\$32,687,558
1% increase	6.00%
Net pension liability	\$26,959,818

The District recognized pension expense of \$6,335,128 and \$5,222,823 in 2019 and 2018, respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between actual and expected experience	\$ 2,159,238	\$ 4,265,084
Changes in assumptions	1,298,982	7,203,808
Net differences between projected and actual earning on plan investments	-	2,163,518
Totals	\$ 3,458,220	\$ 13,632,410

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Year Ended June 30,</i>	Increase in Pension Expense
2020	\$ 2,348,095
2021	2,151,157
2022	1,852,059
2023	1,553,677
2024	1,625,224
Thereafter	643,978
Total	\$ 10,174,190

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

Defined Benefit Plan - The PEPRA Plan

The District sponsors a defined benefit pension plan (the "PEPRA Plan"), a single-employer defined benefit plan for the Chief Executive Officer (CEO). The PEPRA Plan is governed by the Board of Directors, which may amend benefits and other plan provisions and which is responsible for the management of plan assets. The primary factors affecting the benefits earned by participants in the pension plan are employees' years of service and compensation levels.

The District provides service retirement and pre-retirement death benefits to plan members, who must be District employee holding the position of Chief Executive Officer and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 with statutorily reduced benefits. All members are eligible for early retirement benefits at age 52 with at least 5 years of credited services with reduced benefits. The benefit vesting schedule is 100% vesting after five years of credited service, or upon total and permanent disability.

The PEPRA Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

Hire date	Beginning January 1, 2016
Benefit Payments	Life Annuity
Retirement Age	62 or 5th anniversary of participant
Monthly benefits, as a % of eligible compensation	2% of Average Annual Compensation multiplied by years of Credited Service
Required employee contribution rates	12% of applicable payroll
Required employer contribution rates	11.50% of applicable payroll

Employees covered at January 1, 2019, by the benefit terms for the PEPRA Plan are as follows:

Inactive employees or beneficiaries currently receiving benefits	-
Active employees	1
<hr/>	
Total	1

The employer contribution rates are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the PEPRA Plan are determined annually on an actuarial basis as of January 1 by the PEPRA Plan. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

The District's net pension liability for the PEPPRA Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the PEPPRA Plan is measured as of June 30, 2019, using an annual actuarial valuation as of January 1, 2019, rolled forward to June 30, 2019, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

The total pension liabilities in the January 1, 2019, actuarial valuations were determined using the following actuarial assumptions:

Valuation date (actuarial valuation date)	January 1, 2019
Measurement date (net pension liability measured)	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions	
Discount rate	5.00%
Inflation	2.50%
Payroll growth	4%
Investment rate of return	5.00%
Mortality: Pre-retirement	RP-2014 Healthy Mortality w/ generational projection from 2006, base year using scale MP-2017.
Mortality: Post-retirement (annuity elected)	RP-2014 Healthy Mortality w/generational projection from 2006, base year using scale MP-2017.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<i>Asset Class</i>	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. fixed income	60.00 %	4.23 %
Global equity	40.00 %	7.90 %
Total	100.00 %	

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

The changes in the net pension liability of the PEPR Plan are as follows for the year ended June 30, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	\$ 72,633	\$ 68,112	\$ 4,521
Changes for the year:			
Service cost incurred	27,705	-	27,705
Interest on total pension liability	5,017	-	5,017
Differences between actual and expected experience	71	-	71
Changes in assumptions	(382)	-	(382)
Contributions - Employee	-	9,583	(9,583)
Contributions - Employer	-	9,584	(9,584)
Current-year net changes	32,411	19,167	13,244
Totals	\$ 105,044	\$ 87,279	\$ 17,765

The following presents the net pension liability of the District's PEPR Plan, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

1% decrease	4.00%
Net pension liability	\$32,244
Current discount rate	5.00%
Net pension liability	\$17,765
1% increase	6.00%
Net pension liability	\$3,241

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

The District recognized pension expense of \$20,745 in 2019 and \$18,014 in 2018. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between actual and expected experience	\$ 313	\$ 65
Changes in assumptions	737	-
Net differences between projected and actual earning on plan investments	-	5,273
Total	\$ 1,050	\$ 5,338

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Year Ended June 30,</i>	Increase (Decrease) in Pension Expense
2020	\$ 1,486
2021	1,488
2022	1,260
2023	687
2024	(88)
Thereafter	(545)
Total	\$ 4,288

Defined Contribution Plan

The District sponsors and contributes to the Northern Inyo County Local Hospital District 401(a) Retirement Plan (NICLHD), a defined contribution pension plan, for its employees. The plan covers its employees who have attained the age of 21 years and were not a participant in the District's defined benefit plan prior to January 1, 2013, and completed of one year of service. NICLHD is administered by the District.

Benefit terms, including contribution requirements, for NICLHD are established and may be amended by the District's Board of Directors. For each employee in the pension plan, the District is required to contribute 7% as a percent of annual salary, exclusive of overtime pay, to an individual employee account. Employees are not permitted to make contributions to the pension plan. For the year ended June 30, 2019 and 2018, the District recognized pension expense of \$789,151 and \$949,437, respectively.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 11: Retirement Plans (Continued)

Each participant shall have a nonforfeitable and vested right to his or her account for each year of service completed while an employee of the employer, in accordance with the following schedule:

Years	Nonforfeitable Percentage
5	50.0 %
6	60.0 %
7	70.0 %
8	80.0 %
9	90.0 %
10 or more	100.0 %

Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. There have been no forfeitures to date.

Note 12: Medical Office Building, Net

The District has a number of Board-approved management practice arrangements with physicians to provide services for primary care and specialty services in the district. These managed contracts are nonoperating activities of the District and are listed in the nonoperating revenue (expenses) on the statements of revenues, expenses, and changes in net position. The Hospital provides an income guarantee against net revenue while also providing all services for operating of the physician practices. The District has practice management agreements for the following physician practices: Pediatrics, Internal Medicine, Orthopedic Surgery, Specialty Clinic, and General Surgery. The net cost of this activity is included in medical office building, net in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 13: Risk Management

The District is exposed to various risks of loss related to medical malpractice; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries of employees; and natural disasters.

The District's comprehensive general liability insurance covers losses of up to \$20,000,000 per claim with \$30,000,000 annual aggregate for occurrence basis during a policy year regardless of when the claim was filed (occurrence-based coverage). The District's professional liability insurance covers losses up to \$5,000,000 per claim with \$5,000,000 annual aggregate for claims reported during a policy year (claims-made coverage). Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District.

Although there exists the possibility of claims arising from services provided to patients through June 30, 2019, which have not yet been asserted, the District is unable to determine the ultimate cost, if any, of such possible claims, and accordingly no provision has been made for them. Settled claims have not exceeded commercial coverage in any of the three preceding years.

The District is a participant in the Association of California Healthcare Districts' ALPHA Fund, which administers a self-insured workers' compensation plan for participating member hospitals and their employees. The District pays a premium to the ALPHA Fund; the premium is adjusted annually. If participation in the ALPHA Fund were terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the ALPHA Fund.

Note 14: Self-Funded Insurance

The District has a self-funded health care plan that provides medical and dental benefits to employees and their dependents. Employees share in the cost of health benefits. Health care expense is based on actual claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The District buys reinsurance to cover catastrophic individual claims over \$150,000. The District records a liability for claims incurred, but not reported that is recorded in accrued payroll and related liabilities in the accompanying statements of net position.

Northern Inyo Healthcare District

Notes to Financial Statements

Note 15: Functional Expenses

The District provides general health care services to residents within its geographic area. Expenses, including interest expense, related to providing these services consisted of the following for the following for the years ended June 30:

	2019	2018
Health care service	\$ 79,891,287	\$ 72,822,566
Management and administration	12,915,913	12,709,415
Total expenses	\$ 92,807,200	\$ 85,531,981

Note 16: Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist principally of patient receivables.

Patient receivables consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medi-Cal) for health care provided to the patients. The majority of the District's patients are from Bishop, California, and the surrounding area.

The mix of receivables from patients and third-party payors was as follows at June 30 :

	2019	2018
Medicare	44 %	37 %
Medi-cal, including CMSP	22 %	23 %
Other third-party payors	32 %	32 %
Patients	2 %	8 %
Totals	100 %	100 %

Northern Inyo Healthcare District

Notes to Financial Statements

Note 17: Commitments and Contingencies

Litigation

The District may from time to time be involved in litigation and regulatory investigations that arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters, if applicable, existing as of June 30, 2019, will be resolved without material adverse effect on the District's future financial position, results from operations, or cash flows.

Pollution Remediation Obligations

Pollution remediation obligations are triggered by an obligating event. An obligating event is when a government is compelled to take action to protect the public from pollution; has violated a pollution permit, license, or law; has or will be named in a lawsuit; or voluntarily engages in a cleanup. Management has considered this guidance specifically as it relates to its legal obligations related to asbestos removal on its existing properties. Management of the District believes there has not been an obligating event, and if there had been, the amount of the potential liability could not be reasonably estimated. Therefore, no obligations have been recorded for pollution remediation as of June 30, 2019 and 2018.

Note 18: Subsequent Event

The District has evaluated subsequent events through May 5, 2020, which is the date of the independent auditor's report. Subsequent to year end, in March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result of the pandemic, there are evolving federal and state regulatory requirements and laws that will affect the District's operations. The District is incorporating processes to comply with the evolving regulatory requirements and laws. At this time it is unclear what the prolonged economic impact of COVID-19 will have on the District's operations.

Required Supplementary Information

Northern Inyo Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios and Contributions - Plan

Last Ten Fiscal Years (If Available)

Total Pension Liability	2019	2018	2017	2016
Service cost incurred	\$ 2,174,400	\$ 2,281,116	\$ 2,812,178	\$ 2,219,985
Interest in total pension liability	2,748,540	2,805,649	3,053,437	3,047,939
Difference between actual and expected	2,751,955	1,343,607	(3,295,677)	1,385,608
Change in assumption	(87,727)	(185,137)	(417,283)	12,966,856
Benefit payments	(9,049,661)	(5,554,374)	(7,575,753)	(8,213,871)
Net change in total pension liability	(1,462,493)	690,861	(5,423,098)	11,406,517
Total pension liability - Beginning	57,266,032	56,575,171	61,998,269	50,591,752
Total pension liability - Ending (a)	55,803,539	57,266,032	56,575,171	61,998,269
Plan fiduciary net position:				
Contribution - Employer	6,060,000	5,340,000	5,340,000	3,900,000
Net investment income (loss)	680,602	(292,381)	(126,769)	880,376
Administrative expense	(67,342)	(88,502)	(55,640)	(51,336)
Benefit payments	(9,049,661)	(5,554,374)	(7,575,753)	(8,213,871)
Net change in plan fiduciary net position	(2,376,401)	(595,257)	(2,418,162)	(3,484,831)
Plan fiduciary net position - Beginning	25,492,382	26,087,639	28,505,801	31,990,632
Plan fiduciary net position - Ending (b)	23,115,981	25,492,382	26,087,639	28,505,801
Net pension liability - Ending (a)-(b)	\$ 32,687,558	\$ 31,773,650	30,487,532	33,492,468
Plan fiduciary net position as a percentage of the total pension liability	41.42 %	44.52 %	46.11 %	45.98 %
Covered-employee payroll	\$ 12,968,106	\$ 13,529,712	\$ 15,892,425	\$ 17,664,833
Net pension liability as percentage of covered employee payroll	206.00 %	245.01 %	225.34 %	210.74 %

Notes to Schedule:

Changes in assumptions: In 2019, amounts reported as changes in assumptions resulted primarily from adjustments to expected form of, discount rate, payment election, and mortality assumptions.

Northern Inyo Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios and Contributions - Plan (Continued)

Last Ten Fiscal Years (If Available)

SCHEDULE OF CONTRIBUTIONS	2019	2018	2017	2016
Actuarially determined contribution	\$ 5,484,000	\$ 4,716,000	\$ 5,340,000	\$ 3,900,000
Contributions in relation to the actuarially determined contributions	6,060,000	5,340,000	5,340,000	3,900,000
Contribution excess	\$ (576,000)	\$ (624,000)	\$ -	\$ -
Covered-employee payroll	\$ 12,968,106	\$ 13,529,712	\$ 15,892,425	\$ 17,664,833
Contributions as a percentage of covered employee payroll	46.73 %	39.47 %	33.60 %	22.08 %

Notes to Schedule:

Valuation date: January 1, 2019

Methods and assumptions used to determine contribution rates:

Single-employer plan	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Inflation	2.3%
Salary increases	4%, including inflation
Investment rate of return	5.00%
Retirement age	65, or 70 *
Mortality: Pre-retirement	**
Mortality: Postretirement (annuity elected)	***
Mortality: Postretirement (lump sum elected)	****

** RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2017.

*** RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2017.

**** DOP before 7/1/2009: 1984 UP, Mortality Table set back four years. DOP On/After 7/1/2009: RP-2000 Table for Males set back four years.

SCHEDULE OF INVESTMENT RETURNS

	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	2.96 %	(1.16)%	(0.48)%	3.11 %

See accompanying notes to financial statements.

Northern Inyo Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios and Contributions - PEPRA Plan

Last Ten Fiscal Years (If Available)

Total Pension Liability	2019	2018
Service cost incurred	\$ 27,705	\$ 27,571
Interest in total pension liability	5,017	3,498
Difference between actual and expected	71	(369)
Change in assumption	(382)	(456)
Net change in total pension liability	32,411	30,244
Total pension liability - Beginning	72,633	42,389
Total pension liability - Ending (a)	105,044	72,633
Plan fiduciary net position:		
Contribution - Employer	9,583	10,938
Contribution - Employee	9,584	10,938
Net change in plan fiduciary net position	19,167	21,876
Plan fiduciary net position - Beginning	68,112	46,236
Plan fiduciary net position - Ending (b)	87,279	68,112
Net pension liability - Ending (a)-(b)	\$ 17,765	\$ 4,521
Plan fiduciary net position as a percentage of the total pension liability	83.09 %	93.78 %
Covered-employee payroll	\$ 121,388	\$ 118,775
Net pension liability as percentage of covered employee payroll	14.63 %	3.81 %

Northern Inyo Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios and Contributions - PEPRA Plan (Continued)

Last Ten Fiscal Years (If Available)

SCHEDULE OF CONTRIBUTIONS	2019	2018
Actuarially determined contribution	\$ 14,089	\$ 13,662
Contributions in relation to the actuarially determined contributions	14,089	13,662
Contribution deficiency	\$ -	\$ -
Covered-employee payroll	\$ 121,388	\$ 118,775
Contributions as a percentage of covered employee payroll	11.61 %	11.50 %

Notes to Schedule

Valuation date: January 1, 2018

Methods and assumptions used to determine contribution rates:

Single-employer plan	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	4%, including inflation
Investment rate of return	5.00%
Retirement age	65
Mortality: Pre-retirement	**
Mortality: Postretirement (annuity elected)	***

** RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2017.

*** RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2017.

SCHEDULE OF INVESTMENT RETURNS

	2019	2018
Annual money-weighted rate of return, net of investment expense	- %	- %

Supplementary Information

Northern Inyo Healthcare District

Combining Statement of Net Position of the District and Component Units

June 30, 2019 (Auxiliary May 31, 2019) (Pioneer Home Health December 31, 2018)

<i>Assets and Deferred Outflows of Resources</i>	Hospital	Foundation	Auxiliary	Pioneer Home Health	Eliminations	Total
Current assets:						
Cash and equivalents	\$ 25,986,289	\$ 357,849	\$ 72,171	\$ 50,771	\$ -	\$ 26,467,080
Receivables:						
Patient accounts - Net	18,896,545	-	-	235,311	-	19,131,856
Other - Government agency	542,931	-	-	-	-	542,931
Inventories	2,431,341	-	-	-	-	2,431,341
Prepaid expenses and other	1,901,136	-	-	188,685	(300,000)	1,789,821
Total current assets	49,758,242	357,849	72,171	474,767	(300,000)	50,363,029
Other assets:						
Noncurrent cash and investments	6,647,888	-	-	-	-	6,647,888
Investment in PMA	501,030	-	-	-	-	501,030
Goodwill in PMA	581,219	-	-	-	-	581,219
Total other assets	7,730,137	-	-	-	-	7,730,137
Capital assets:						
Nondepreciable capital assets	1,553,741	-	-	130,000	-	1,683,741
Depreciable capital assets - Net	75,685,359	-	-	310,180	-	75,995,539
Capital assets - Net	77,239,100	-	-	440,180	-	77,679,280
Deferred outflows of resources - Pensions	13,637,748	-	-	-	-	13,637,748
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$148,365,227	\$ 357,849	\$ 72,171	\$ 914,947	\$ (300,000)	\$149,410,194

Northern Inyo Healthcare District

Combining Statement of Net Position of the District and Component Units

June 30, 2019 (Auxiliary May 31, 2019, Pioneer Home Health December 31, 2018)

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Hospital	Foundation	Auxiliary	Pioneer Home Health	Eliminations	Total
Current liabilities:						
Current maturities of long-term liabilities:						
Bonds payable - Current Portion	\$ 2,293,000	\$ -	\$ -	\$ -	\$ -	\$ 2,293,000
Capital lease obligation - Current Portion	418,242	-	-	-	-	418,242
Accounts payable	4,985,899	-	-	331,632	-	5,317,531
Accrued interest and sales tax	102,216	-	-	-	-	102,216
Accrued payroll and related liabilities	8,154,456	-	-	134,714	-	8,289,170
Estimated third-party payor settlements	245,338	-	-	-	-	245,338
Unearned revenue	22,268	-	-	-	-	22,268
Total current liabilities	16,221,419	-	-	466,346	-	16,687,765
Long-term liabilities:						
Bonds payable	40,028,742	-	-	-	-	40,028,742
Accreted interest	13,520,264	-	-	-	-	13,520,264
Capital lease obligation	1,744,533	-	-	-	-	1,744,533
Net pension liability	32,705,323	-	-	-	-	32,705,323
Total long-term liabilities	87,998,862	-	-	-	-	87,998,862
Total liabilities	104,220,281	-	-	466,346	-	104,686,627
Deferred inflows of resources	3,459,270	-	-	-	-	3,459,270
Net position:						
Net investment in capital assets	32,652,367	-	-	-	-	32,652,367
Restricted for debt service	2,817,042	-	-	-	-	2,817,042
Restricted for programs	150,576	-	-	-	-	150,576
Unrestricted	5,065,691	357,849	72,171	448,601	(300,000)	5,644,312
Total net position	40,685,676	357,849	72,171	448,601	(300,000)	41,264,297
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 148,365,227	\$ 357,849	\$ 72,171	\$ 914,947	\$ (300,000)	\$ 149,410,194

See accompanying notes to financial statements.

Northern Inyo Healthcare District

Combining Statement of Net Position of the District and Component Units

June 30, 2018 (Auxiliary May 31, 2018)

<i>Assets and Deferred Outflows of Resources</i>	Hospital	Foundation	Auxiliary	Eliminations	Total
Current assets:					
Cash and equivalents	\$ 20,627,520	\$ 343,900	\$ 62,872	\$ -	\$ 21,034,292
Receivables:					
Patient accounts - Net	14,684,069	-	-	-	14,684,069
Other - Government agency	3,535,824	-	-	-	3,535,824
Inventories	3,256,568	-	-	-	3,256,568
Prepaid expenses and other	1,982,299	-	-	-	1,982,299
Total current assets	44,086,280	343,900	62,872	-	44,493,052
Other assets:					
Noncurrent cash and investments	7,377,420	-	-	-	7,377,420
Investment in PMA	379,758	-	-	-	379,758
Goodwill in PMA	581,219	-	-	-	581,219
Total other assets	8,338,397	-	-	-	8,338,397
Capital assets:					
Nondepreciable capital assets	1,464,183	-	-	-	1,464,183
Depreciable capital assets - Net	75,357,824	-	-	-	75,357,824
Capital assets - Net	76,822,007	-	-	-	76,822,007
Deferred outflows of resources - Pensions	13,550,703	-	-	-	13,550,703
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 142,797,387	\$ 343,900	\$ 62,872	\$ -	\$ 143,204,159

Northern Inyo Healthcare District

Combining Statement of Net Position of the District and Component Units (Continued)

June 30, 2018 (Auxiliary May 31, 2018)

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Hospital	Foundation	Auxiliary	Eliminations	Total
Current liabilities:					
Current maturities of long-term liabilities:					
Bonds payable - Current Portion	\$ 2,092,000	\$ -	\$ -	\$ -	\$ 2,092,000
Capital lease obligation - Current Portion	18,089	-	-	-	18,089
Accounts payable	3,656,555	-	-	-	3,656,555
Accrued interest and sales tax	140,774	-	-	-	140,774
Accrued payroll and related liabilities	6,153,360	-	-	-	6,153,360
Estimated third-party payor settlements	1,300,000	-	-	-	1,300,000
Unearned revenue	68,644	-	-	-	68,644
Total current liabilities	13,429,422	-	-	-	13,429,422
Noncurrent liabilities:					
Bonds payable	42,374,441	-	-	-	42,374,441
Accreted interest	12,193,679	-	-	-	12,193,679
Net pension liability	31,778,171	-	-	-	31,778,171
Total noncurrent liabilities	86,346,291	-	-	-	86,346,291
Total liabilities	99,775,713	-	-	-	99,775,713
Deferred inflows of resources	4,037,270	-	-	-	4,037,270
Net position:					
Net investment in capital assets	32,198,861	-	-	-	32,198,861
Restricted for debt service	4,200,769	-	-	-	4,200,769
Restricted for programs	130,526	-	-	-	130,526
Unrestricted	2,454,248	343,900	62,872	-	2,861,020
Total net position	38,984,404	343,900	62,872	-	39,391,176
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 142,797,387	\$ 343,900	\$ 62,872	\$ -	\$ 143,204,159

See accompanying notes to financial statements.

Northern Inyo Healthcare District

Combining Statement of Revenues, Expenses, and Changes in Net Position of the District and Component Units

For the year ended June 30, 2019 (Auxiliary May 31, 2019, Pioneer Home Health December 31, 2018)

	Hospital	Foundation	Auxiliary	Pioneer Home Health	Eliminations	Total
Revenue:						
Net patient service revenue	\$ 95,200,842	\$ -	\$ -	\$ 1,190,676	\$ -	\$ 96,391,518
Other operating revenue	788,346	-	10,405	111	-	798,862
Total revenue	95,989,188	-	10,405	1,190,787	-	97,190,380
Operating expenses:						
Salaries and wages	31,037,212	-	-	926,921	-	31,964,133
Employee benefits	21,367,403	-	-	167,468	-	21,534,871
Professional fees	11,308,012	1,447	-	-	-	11,309,459
Supplies	10,741,017	656	-	12,109	-	10,753,782
Purchased services	3,874,442	-	-	63,722	-	3,938,164
Depreciation	4,267,097	-	-	17,335	-	4,284,432
Other operating expenses	5,401,880	18,884	-	674,065	-	6,094,829
Total operating expenses	87,997,063	20,987	-	1,861,620	-	89,879,670
Income (loss) from operations	7,992,125	(20,987)	10,405	(670,833)	-	7,310,710
Nonoperating revenue (expense):						
Tax revenue for operations	582,378	-	-	-	-	582,378
Tax revenue for debt services	1,671,511	-	-	-	-	1,671,511
Interest income	774,619	-	-	-	-	774,619
Interest expense	(2,911,644)	-	-	(15,886)	-	(2,927,530)
Noncapital grants and contributions	201,090	34,936	(606)	-	-	235,420
Medical office building, net	(6,210,601)	-	-	-	-	(6,210,601)
Total nonoperating revenue (expense)	(5,892,647)	34,936	(606)	(15,886)	-	(5,874,203)
Excess (deficit) of revenue over expenses - carry forward	\$ 2,099,478	\$ 13,949	\$ 9,799	\$ (686,719)	\$ -	\$ 1,436,507

Northern Inyo Healthcare District

Combining Statement of Revenues, Expenses, and Changes in Net Position of the District and Component Units (Continued)

For the year ended June 30, 2019 (Auxiliary May 31, 2019, Pioneer Home Health December 31, 2018)

	Hospital	Foundation	Auxiliary	Pioneer Home Health	Eliminations	Total
Excess (deficit) of revenue over expenses - brought forward	\$ 2,099,478	\$ 13,949	\$ 9,799	\$ (686,719)	\$ -	\$ 1,436,507
Capital grants and contributions	-	-	(500)	-	-	(500)
Operating transfer (out) in	(398,206)	-	-	398,206	-	-
Increase in net position	1,701,272	13,949	9,299	(288,513)	-	1,436,007
Net contribution from Pioneer Home Health	-	-	-	737,114	(300,000)	437,114
Net position at beginning	38,984,404	343,900	62,872	-	-	39,391,176
Net position at end	\$ 40,685,676	\$ 357,849	\$ 72,171	\$ 448,601	\$ (300,000)	\$ 41,264,297

Northern Inyo Healthcare District

Combining Statement of Revenues, Expenses, and Changes in Net Position of the District and Component Units

For the year ended June 30, 2018 (Auxiliary May 31, 2018)

	Hospital	Foundation	Auxiliary	Eliminations	Total
Revenue:					
Net patient service revenue	\$ 86,628,531	\$ -	\$ -	\$ -	\$ 86,628,531
Other operating revenue	1,132,187	-	44,001	-	1,176,188
Total revenue	87,760,718	-	44,001	-	87,804,719
Operating expenses:					
Salaries and wages	25,726,930	-	-	-	25,726,930
Employee benefits	20,374,657	-	-	-	20,374,657
Professional fees	13,195,860	100	-	-	13,195,960
Supplies	9,879,109	2,759	-	-	9,881,868
Purchased services	4,055,876	-	-	-	4,055,876
Depreciation	4,456,699	-	-	-	4,456,699
Other operating expenses	4,853,710	93,506	-	-	4,947,216
Total operating expenses	82,542,841	96,365	-	-	82,639,206
Total operating expenses	5,217,877	(96,365)	44,001	-	5,165,513
Nonoperating revenue (expense):					
Tax revenue for operations	682,286	-	-	-	682,286
Tax revenue for debt services	1,543,646	-	-	-	1,543,646
Interest income	306,915	-	-	-	306,915
Interest expense	(2,892,775)	-	-	-	(2,892,775)
Noncapital grants and contributions	1,606,592	44,147	49	-	1,650,788
Medical office building, net	(4,760,636)	-	-	-	(4,760,636)
Total nonoperating revenue (expense)	(3,513,972)	44,147	49	-	(3,469,776)
Excess (deficit) of revenue over expense - carry forward	\$ 1,703,905	\$ (52,218)	\$ 44,050	\$ -	\$ 1,695,737

Northern Inyo Healthcare District

Combining Statement of Revenues, Expenses, and Changes in Net Position of the District and Component Units (Continued)

June 30, 2018 (Auxiliary May 31, 2018)

	Hospital	Foundation	Auxiliary	Eliminations	Total
Excess (deficit) of revenue over expense - brought forward	\$ 1,703,905	\$ (52,218)	\$ 44,050	\$ -	\$ 1,695,737
Capital grants and contributions	53,472	-	(38,409)	-	15,063
Increase (decrease) in net position	1,757,377	(52,218)	5,641	-	1,710,800
Net position at beginning	37,227,027	396,118	57,231	-	37,680,376
Net position at end	\$ 38,984,404	\$ 343,900	\$ 62,872	\$ -	\$ 39,391,176

Northern Inyo Healthcare District

Statistical Information

Year Ended June 30, 2019

Bed Complement	2019	2018	2017	2016	2015
Medical/surgical	11	11	11	11	11
Prenatal/obstetrics	6	6	6	6	6
Pediatric	4	4	4	4	4
Intensive care	4	4	4	4	4
Total licensed bed capacity	25	25	25	25	25

Utilization	2019	2018	2017	2016	2015
License beds	25	25	25	25	25
Patient days	3,257	3,474	3,914	3,777	3,804
Discharges	1,037	1,106	1,090	1,136	1,069
Occupancy	36 %	38 %	35 %	41 %	42 %
Average stay (days)	3.1	3.1	3.0	3.3	3.3
Emergency room visits	9,153	8,798	8,959	8,764	7,948
Outpatient visits	38,960	38,651	38,829	38,454	37,684

Medical Staff	2019	2018	2017	2016	2015
Active	50	53	50	44	36
Consulting	17	17	23	30	30
Honorary	11	11	10	10	9
AHP	12	10	9	8	8
Other - Telemedicine	27	-	-	-	-
Total practitioners	117	91	92	92	83

Employees	2019	2018	2017	2016	2015
Full-time	362	330	322	296	290
Part-time and per diem	131	126	106	98	105
Total employees	493	456	428	394	395
Full-time equivalents	375.30	392.89	370.90	347.29	321.37

Northern Inyo Healthcare District

Statistical Information (Continued)

Year Ended June 30, 2019

Bond Debt Service Coverage (In Thousands)	2019	2018	2017	2016	2015
Excess (deficit) of revenue over expenses	\$ 1,437	\$ 1,696	\$ (536)	\$ 1,086	\$ 1,100
Add:					
Depreciation and amortization expenses	4,284	4,457	5,029	5,167	4,956
Interest expense	2,928	2,893	2,959	3,299	3,530
Available to meet debt service	\$ 8,649	\$ 9,046	\$ 7,452	\$ 9,552	\$ 9,586
Actual debt service:					
2005 General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ 899
2009 General obligation bonds	1,364	955	852	625	487
2010 Revenue bonds	1,178	1,179	1,182	1,182	1,178
2013 Revenue bonds	765	769	767	764	788
2016 Revenue bonds	864	814	873	860	-
Totals	\$ 4,171	\$ 3,717	\$ 3,674	\$ 3,431	\$ 3,352
Historical debt service coverage ratio	2.07	2.43	2.03	2.78	2.86