EideBailly
CPAs & BUSINESS ADVISORS

December 7, 2021

To the Board of Directors
Northern Inyo Healthcare District
Bishop, California

We have audited the financial statements of the Northern Inyo Healthcare District (the District) as of and for the year ended June 30, 2021 and have issued our report thereon dated December 7, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated July 27, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses and material noncompliance, and other matters noted during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 7, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you, except for certain delays in report issuance due to disruptions due to the pandemic.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

<u>Collectability of Patient Receivables</u> – Management's estimate of the realization of patient receivables is based on review of outstanding receivables and their aging, historical collection information updated for recent trends in collection and agings, and existing economic conditions and collection rates from third-party payors.

<u>Estimated Third-Party Payor Settlements</u> – Management's estimate of the amounts either owed to or receivable from third-party payors is based on both final and tentatively settled cost reports. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that the estimates for all open years are adequate but not excessive. Any differences between the estimates and the final settlements will be recorded in the period the final settlements are made.

<u>Provider Relief Funds</u> – Amounts received from the CARES Act Provider Relief Fund are subject to terms and conditions, which state payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Management's estimate of the funds recognized as revenue is based on meeting the terms and conditions and these terms and conditions are subject to significant interpretation and continuing updated guidance. As of June 30, 2021, $6,671,309 was recognized for Provider Relief Funds.

<u>Net Pension Liabilities</u> - Amounts related to the net pension liability, related deferred inflows of resources and deferred outflows of resources, pension expense, and related disclosures, are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop theses accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- The disclosure of net patient service revenue is included in Note 5 to the financial statements and includes amounts recorded associated with contractual and other adjustments for amounts to or from third-party payors.
- The disclosure of long-term debt is included in Note 8 to the financial statements and describes the amounts received and recognized in the financial statements under the Paycheck Protection Program (PPP). The PPP note payable may be forgiven based upon meeting certain conditions. These conditions are subject to interpretation, and notification of forgiveness or partial forgiveness by the Small Business Administration and the approved lender. This note also discloses amounts related to Medicare advance payments received from the Center for Medicare & Medicaid Services (CMS). This disclosure identifies payments received from CMS and amounts recorded in the financial statements, as well as expected recoupment by the government.
- The disclosure of Provider Relief Funds is described in Note 14. This disclosure identifies funds administered by HHS and received by the District as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds and amounts recorded as unearned provider relief funds included by the District in current liabilities in the financial statements. These funds may be retained upon meeting certain terms and conditions that are subject to significant interpretation and potential future guidance. As of June 30, 2021, $6,671,309 was recognized for Provider Relief Funds.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 7, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Sacramento, California

Basic Financial Statements and Supplementary Information
June 30, 2021

Northern Inyo Healthcare District

EideBailly

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Northern Inyo Healthcare District
Bishop, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit and aggregate remaining fund information of the Northern Inyo Healthcare District (District), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the District's 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 of America; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit and aggregate remaining fund information of the District, as of June 30, 2021 , and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the schedules of changes in the net pension liability and related ratios, schedules of pension contributions, and schedules of investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements of the District and component units and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements of the District and component units are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statement of the District and component units are fairly stated, in all material respects, in relation to the basic 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 provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California
December 7, 2021

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 55,683,295
Receivables	
Patient, net of estimated uncollectibles	14,476,697
Estimated third-party payor settlements	255,262
Other receivables	9,903,637
Inventory	3,374,846
Prepaid expenses and other assets	1,401,748
Total current assets	85,095,485
Noncurrent Cash and Investments	
Restricted for specific operating purposes and capital improvements	2,589,616
Restricted by trustee for debt reserve	3,055,766
Total noncurrent cash and investments	5,645,382
Capital Assets	
Capital assets not being depreciated	5,449,680
Capital assets being depreciated, net	71,106,111
Total capital assets	76,555,791
Total assets	167,296,658
Deferred Outflows of Resources	
Deferred outflows related to pensions	18,395,253
Deferred outflows related to acquisition	573,097
Total deferred outflows of resources	18,968,350
Total assets and deferred outflows of resources	$ 186,265,008

Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Notes payable	$ 917,488
Current maturities of long-term debt	2,414,499
Current maturities of CMS advance	5,261,003
Accounts payable	
Trade	4,239,494
Accrued expenses	
Salaries and wages	4,526,492
Interest and sales taxes	126,738
Self-insurance claims	766,156
Unearned revenue	792,577
Total current liabilities	19,044,447
Long-Term Debt, Less Current Maturities	53,462,531
CMS Advance, Less Current Maturities	8,428,956
Paycheck Protection Program Loan	9,218,579
Net Pension Liability	45,570,613
Total liabilties	135,725,126
Deferred Inflows of Resources	
Deferred inflows related to pensions	2,124,655
Net Position	
Net investment in capital assets	23,734,527
Restricted:	
Programs	105,460
Capital Improvements	2,484,156
Unrestricted	22,091,084
Total net position	48,415,227
Total liabilities, deferred inflows of resources, and net position	$ 186,265,008

Operating Revenues	
Net patient service revenue	$ 85,594,197
Other revenue	18,085,492
Total operating revenues	103,679,689
Operating Expenses	
Salaries and wages	36,608,872
Employee benefits	23,055,461
Professional fees and purchased services	16,090,675
Supplies	10,941,818
Purchased services	4,987,821
Depreciation	4,172,841
Other	7,320,944
Total operating expenses	103,178,432
Operating Income	501,257
Nonoperating Revenues (Expenses)	
Property tax for operations	735,782
Property tax for debt service	2,005,678
Investment income	374,851
Interest expense	(3,887,538)
Noncapital contributions (and grants)	283,905
Provider relief funds	6,671,309
Gain (loss) on disposal of capital assets	(8,132)
Rental income	286,654
Net nonoperating revenues	6,462,509
Revenues in Excess of Expenses Before Special Item	6,963,766
Special Item - Gain on Sale of Investment in Partnership	1,681,753
Change in Net Position	8,645,519
Net Position, Beginning of Year	39,769,708
Net Position, End of Year	$ 48,415,227

Operating Activities	
Receipts from and on behalf of patients	$ 87,214,532
Payments to suppliers and contractors	(40,833,591)
Payments to and on behalf employees	(53,153,362)
Other receipts and payments, net	9,119,999
Net Cash from Operating Activities	2,347,578
Noncapital Financing Activities	
Noncapital contributions (and grants)	288,620
Property taxes received	735,782
Reduction of CMS advance	(904,195)
Proceeds from Paycheck Protection Program loan	290,951
Contibution from Hospital	220,000
Other	443,278
Net Cash from Noncapital Financing Activities	1,074,436
Capital and Capital Related Financing Activities	
Principal payments on long-term debt	(489,005)
Interest paid	(3,894,801)
Purchase and construction of capital assets	(2,726,292)
Cash paid for acquisition of PMA	(100,000)
Property taxes received	2,005,678
Net Cash used for Capital and Capital Related Financing Activities	(5,204,420)
Investing Activites	
Investment income	374,851
Distributions from joint ventures	430,946
Net Cash from Investing Activities	805,797
Net Change in Cash and Cash Equivalents	(976,609)
Cash and Cash Equivalents, Beginning of Year	62,305,286
Cash and Cash Equivalents, End of Year	$ 61,328,677

Reconciliation of Cash and Cash Equivalents to the Statements of Net Position	
Cash and cash equivalents in current assets	$ 55,683,295
Cash and cash equivalents in noncurrent cash and investments	5,645,382
Total cash and cash equivalents	$ 61,328,677
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 501,257
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation on capital assets	4,172,841
Pension expense	107,007
Provision for bad debts	7,599,346
Changes in assets and liabilities	
Patient receivables	1,581,849
Other receivables	(8,964,085)
Inventory	(723,394)
Prepaid expenses	190,095
Accounts payable	611,607
Estimated third-party payor settlements	(26,131)
Accrued expenses	(2,702,814)
Net Cash from Operating Activities	$ 2,347,578
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities	
Accounts payable for construction (and equipment)	$ 1,108,656
PMA acquisition financed through notes payable	$ 917,488

Assets	
Investments at fair value	
Fixed dollar account	$ 806,569
Indexed bond fund	9,382,290
Total assets	$ 10,188,859
Net Position	
Restricted for:	
Pensions	$ 10,188,859
Total liabilities and net position	$ 10,188,859

Additions	
Contributions	
Employer	$ 3,000,000
Investment earnings	
Interest, dividends, and other	597,894
Total investment earnings	597,894
Less investment costs:	
Experience adjustment	1,344,596
Net investment loss	(746,702)
Deductions	
Benefits paid to participants or beneficiaries	13,117,516
Administrative expenses	54,472
Total deductions	13,171,988
Change in Net Position	(10,918,690)
Net Position, Beginning of Year	21,107,549
Net Position, End of Year	$ 10,188,859

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Northern Inyo Healthcare District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting Entity

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 it's 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. No separate financial report is prepared for the Foundation.

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. The Auxillary's fiscal year ends May 31, 2021. No separate financial report is prepared for the Auxiliary.

Pioneer Home Health Care, Inc. (PHHC) is also a legally separate 501(c)(3) tax-exempt public benefit corporation. The District is the sole corporate owner of PHHC and for this reason it is a blended component unit of the District. PHHC's fiscal year ends December 31, 2020. No separate financial report is prepared for PHHC.

Northern Inyo Local Hospital District Retirement Plan (the "Plan") is a defined benefit retirement plan organized under Internal Revenue Code (IRC) Section 401(a) for District employees who meet certain eligibility criteria. The Pension Trust Fund - Plan is reported in the accompanying financial statements in separate statements of fiduciary net position and changes in fiduciary net position to emphasize that it is legally separate from the District. The Plan's fiscal year end is December 31, 2020. The separate financial statements for the fiduciary component unit are not available.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statements of net position displays the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

> *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
>
> *Restricted net position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
>
> *Unrestricted net position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the District considers its investment in the Local Agency Investment Fund (LAIF) and 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 (CGC) 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, except for guaranteed investment contracts, which are stated at amortized cost. Investment gain (loss) includes changes in fair value of investments, interest, and realized gains and losses.

Restricted Cash and Investments

Restricted cash consists cash and investments held under indenture agreements or restricted for programs. Northern Inyo Healthcare District

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. The District does not charge interest on unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the 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.

Inventories

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

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 transactionbetween 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 minimizes 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 priced 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 orother 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.

Investment Income

Interest, dividends, gains, and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Capital asset acquisitions in excess of $3,000 are capitalized and recorded at cost. Contributed capital assets are reported at their acquisiton value at the date of donation. Assets under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life. Such amortization is included in depreciation in the financial statements. All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following asset lives:

Land improvements	2-25 years
Buildings and improvements	2-25 years
Equipment	3-20 years

Accreted Interest

Interest expense on capital appreciation bonds is being accreted on the straight-line basis to maturity of the individual bonds, which approximates interest accreted on the effective interest method

Bond Premiums and Issuance Costs

Bond premiums relating to the General Obligation Bonds are netted against the debt payable on the Statement of Net Position. Bond premiums are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. The amortization is included in interest expense.

Compensated Absences

The District employees earn paid-time off (PTO) at varying rates, depending on years of service. PTO accumulates up to a specific amount, as defined in the District's employee manual. Employees are paid for accumulated PTO if employment is terminated. The liability for compensated absences is included with accrued salaries and benefits in the accompanying financial statements.

Estimated Health Claims Payable

The District provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in current liabilities on the Statement of Net Position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

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.

Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Northern Inyo County Local Hospital District Retirement Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pensions, and the deferred amounts related to acquisitions. The deferred amounts related to pensions relates to the differences between expected and actual experience, changes in actuarial assumptions and the net difference between estimated and actual investment earnings. The deferred amounts related to acquisitions relate to the District's purchase of Pioneer Medical Associates. See Note 14.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is the deferred amounts related to pensions for the differences between expected and actual experience and changes in actuarial assumptions.

Unearned Revenue

Unearned revenue arise when resources are unearned by the District and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

Unearned revenue consists of receipts of federal awards and other grants for which the earnings process was not yet completed at June 30, 2021 because the eligibility requirements were not yet met.

Property Tax

Property taxes are levied by the County on the District's behalf and are intended to support operations and to service debt. The amount of property tax received is dependent upon the assessed real property valuations as determined by the County Assessor. Secured property taxes are levied July 1, and are due in two equal installments on November 1 and February 1 each year, and are delinquent if not paid by December 10 and April 10. Secured property taxes become a lien on the property on January 1.

Operating Revenues and Expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues of the District result from exchange transactions associated with providing healthcare services – the District's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. 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 adjusted in future periods as final settlements are determined.

Charity Care

The District provides healthcare services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the District does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $323 thousand for the year ended June 30, 2021, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

The District receives grants and contributions from governmental and private entities. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses.

New Accounting Pronouncements

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) [clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in no changes to the financial statements.

Implementation of GASB Statement No. 97

As of July 1, 2020, the District adopted GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement's principal objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The impact to the District resulted in no changes to the financial statements.

Note 2 - Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute and outpatient services rendered to Medicare program beneficiaries are reimbursed primarily under a cost reimbursement methodology pursuant to the District's designation as a critical access hospital. Costs are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare Administrative Contractor (MAC). The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Medicare cost reports have been audited by the fiscal intermediary through June 30, 2016.

Medi-Cal: Reimbursement for hospital inpatient services provided to Medi-Cal beneficiaries are based on a diagnosis-related group (DRG)-based methodology and uses the All-Patient Refined DRGs (APR-DRGs) algorithm. Medi-Cal cost reports have been audited through June 30, 2018. Outpatient services are paid at prospectively determined rates per procedure determined by the State of California. Outpatient services delivered at the clinic are reimbursed using a prospectively determined payment system.

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 prospectively determined rates and discounts from established charges.

Patient revenue from the Medicare and Medi-Cal programs accounted for approximately 40% and 10% of the District's net patient service revenue for the year ended June 30, 2021.

Laws and regulations governing the Medicare, Medi-Cal, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the year ended June 30, 2021 increased/decreased approximately $26 thousand due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Medi-Cal Payments

California legislation (AB-915) provides for a Medi-Cal supplemental payment for Medi-Cal outpatient hospital services. As a result of this program, payments received were $2,033,370 in the year ended June 30, 2021.

The California Department of Healthcare Services (DHCS) implemented The Hospital Quality Assurance Fee (HQAF) program in 2010. The program provides funding for supplemental payments to California hospitals that serve Medi-Cal and uninsured patients. The District received $743,070 in the year ended June 30, 2021, under this program.

California legislation also provides for a Nondesignated Public Hospital Intergovernmental Transfer Program (IGT) for additional payments for outpatient hospital services. As a result of this program, net payments received were $13,473,014 in the year ended June 30, 2021. Amounts due under this program total $7,763,035 and are recorded as other receivables on the statement of net position.

The District records these amounts as other operating revenue, when the revenue is estimable and is reasonably assured of being collected, generally when payments are received or expected to be received.

CMS Advanced Payment

The CMS Advanced Payment balance consists of advanced payments received from the Centers for Medicare and Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The District received $14,594,154 in an advanced payment during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of the advanced payment. This recoupment process will continue until the balance of the advanced payment has been recouped, or for 29 months from the date that the advanced payment was issued, at which point any remaining unpaid balance is due. The advanced payment balance is non-interest bearing through the 29-month repayment period. The portion expected to be recouped in the next 12 months is included in current liabilities and the portion expected to be recouped in greater than 12 months is presented in long-term liabilities in the accompanying statements of net position. The outstanding balance at June 30, 2021, was $13,689,959.

Note 3 - Deposits and Investments

The carrying amounts of deposits and investments as of June 30, 2021 are as follows:

Carrying Amount	
Petty cash	$ 2,600
Cash and deposits	18,128,398
Investments	43,197,679
Total	$ 61,328,677

Deposits and investments are reported in the following statement of net position captions:

Cash and investments	$ 55,683,295
Restricted for nurses scholarships and debt service	2,589,616
Restricted for debt service reserve	3,055,766
	$ 61,328,677

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized investment type	Maximum maturity:	Maximum percentage of portfolio: *	Maximum investment in one issuer:
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base value	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	$75M per account
JPA pools (other investment pools)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to CGC restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Entity's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum maturity:	Maximum percentage of portfolio:	Maximum investment in one issuer:
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	30 years	None	None
Local agency investment fund (LAIF)	N/A	None	$75M per account

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Entity manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuation is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2021:

			Investment Maturities (in Years)		
Investment Type	Carrying Amount	Rating	Less Than 1	1 - 5	6 - 10
Guaranteed Investment Contract	$ 575,000	Baa1	$ -	$ -	$ 575,000
Certificates of deposits	1,503,933	P-1/Aa1	1,503,933	-	-
Mutual Funds	292,864	AAAm	292,864	-	-
Money Market Mutual Funds	2,480,766	AAAm	2,480,766	-	-
Local Agency Investment Fund	38,345,116	Not Rated	38,345,116	-	-
Total	$ 43,197,679		$ 42,622,679	$ -	$ 575,000

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The CGC limits the minimum rating required for each investment type. The LAIF is not rated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2021, $2,818,672 of the District's deposits were covered by federal deposit insurance, and $15,309,726 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 CGC).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 upon 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.

Fair Value Measurements

Assets measured at fair value on a recurring basis and the related fair value of these assets as of June 30, 2021, are as follows:

Investments by fair value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
District Investments:				
Certificates of Deposit	$ 1,503,933	$ -	$ 1,503,933	$ -
Mutual Funds	292,864	292,864	-	-
Money Market Mutual Funds	2,480,766	2,480,766	-	-
Total District Investments Measured at Fair Value	4,277,563	$ 2,773,630	$ 1,503,933	$ -
Investments not measured at fair value or subject to fair value hierarchy				
Local Agency Investment Fund	38,345,116			
Guaranteed Investment Agreement	575,000			
Total District Investments	$ 43,197,679			

The value of publicly-traded assets, which would be listed as Level 1, are based on unaffiliated industry sources believed to be reliable. Values for non-publicly traded assets, listed as Level 2, may be determined from other unaffiliated sources. Assets for which a current value is unavailable, which would be listed as Level 3, may be reflected at the last reported price or at par, using the best information available in the circumstances.

The District’s investments in traded certificates of deposit and U.S. Government obligations, which are reported in short-term and long-term investments, are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive. Guaranteed investment contracts are valued at cost.

Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of $1 and not fair value. Accordingly, the District’s proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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.

Pension Plan Investment Policy

The Plan's investment policy authorizes the Plan to invest in all investments allowed by state statue. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of California or any county, township, or municipal corporation of the State of California, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, and California Funds (created by the State Legislature under the control of the State Treasurer that maintains a $1 per share value, which is equal to the participant's fair value). During the year ended June 30, 2021, there were no changes to the investment policy.

Pension Plan 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 Plan has and investment policy that limit investment choices by credit rating.

			Investment Maturities (in Years)		
Investment Type	Carrying Amount	Rating	Less Than 1	1 - 5	6 - 10
Indexed bond fund	$ 9,382,290	AA+	$ 9,382,290	$ -	$ -
Fixed dollar account	806,569	AA+	806,569	-	-
Total	$ 10,188,859		$ 10,188,859	$ -	$ -

Pension Plan 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 Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plan's investment policiesdo not limit the exposure to custodial credit risk for investments.

Pension Plan Fair Value Measurements

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 and is considered a level 2 investment on the fair value hierarchy. Thefixed dollar fund is stated at cost.

Note 4 - Patient Receivables, Net

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

Gross accounts receivable	$ 36,012,895
Less:	
Contractual adjustments	(14,678,055)
Provision for uncollectible accounts	(6,858,143)
Patient receivables, net	$ 14,476,697

Note 5 - Net Patient Service Revenue

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

Gross patient service revenue	$ 171,208,697
Less:	
Contractual adjustments	(78,015,154)
Provision for uncollectible accounts	(7,599,346)
Net patient service revenue	$ 85,594,197

Note 6 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2021, are as follows:

	Balance June 30, 2020	Additions	Transfers and Retirements	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 865,330	$ 618,636	$ -	$ 1,483,966
Construction in progress	2,931,044	2,047,244	(1,012,574)	3,965,714
Total capital assets not being depreciated	3,796,374	2,665,880	(1,012,574)	5,449,680
Capital assets being depreciated				
Land improvements	867,086	-	-	867,086
Building and improvements	89,143,531	1,821,081	-	90,964,612
Equipment	35,937,715	1,378,049	-	37,315,764
Total capital assets being depreciated	125,948,332	3,199,130	-	129,147,462
Less accumulated depreciation for				
Land improvements	721,463	28,117	-	749,580
Building and improvements	23,172,418	2,415,237	-	25,587,655
Equipment	29,974,629	1,729,487	-	31,704,116
Total accumulated depreciation	53,868,510	4,172,841	-	58,041,351
Net capital assets being depreciated	72,079,822	(973,711)	-	71,106,111
Capital assets, net	$ 75,876,196	$ 1,692,169	$ (1,012,574)	$ 76,555,791

Construction in progress at June 30, 2021, represents the ICU Building Retrofit. The estimated cost to complete this project is $409,000 with construction commitments of $161,000 as of June 30, 2021, which will be financed with District funds.

Note 7 - Long-Term Debt

Long-term debt consists of the following at June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
General Obligation Bonds					
Direct Placement - 2016 General Obligation Refunding Bonds	$ 16,417,000	$ -	$ (299,000)	$ 16,118,000	$ 350,000
2009 General Obligation Bonds	8,144,947	-	(418,000)	7,726,947	417,000
Revenue Bonds					
Revenue Bonds, 2010 Series	5,895,000	-	(835,000)	5,060,000	890,000
Revenue Bonds, 2013 Series	9,090,000	-	(360,000)	8,730,000	370,000
Subtotal Bonds Payable	39,546,947	-	(1,912,000)	37,634,947	2,027,000
Bond premiums:					
2009 General Obligation Bonds	316,197	-	(37,645)	278,552	-
2013 Revenue Bonds	112,900	-	(11,884)	101,016	-
Total Bonds Payable	39,976,044	-	(1,961,529)	38,014,515	2,027,000
Accreted Interest - 2009 General Obligation Bonds	14,353,980	1,859,192	-	16,213,172	-
Capital lease obligations - Direct borrowings:					
Orchard Software	11,933	-	(11,933)	-	-
Intuitive Surgical	1,490,675	-	(310,553)	1,180,122	321,598
7 Medical	267,393	-	(59,336)	208,057	60,837
Total Capital Lease Obligations	1,770,001	-	(381,822)	1,388,179	382,435
Direct borrowings:					
Pioneer Home Health Mortgage	266,010	-	(4,846)	261,164	5,064
Subtotal long-term debt	56,366,035	1,859,192	(2,348,197)	55,877,030	2,414,499
Other Liabilities					
Direct borrowings:					
Notes payable - PMA Acquisition	-	917,488	-	917,488	917,488
Paycheck Protection Payment Loan - District	8,927,628	-	-	8,927,628	-
Paycheck Protection Payment Loan - PHHC	-	290,951	-	290,951	-
CMS Advance	14,594,154	-	(904,195)	13,689,959	5,261,003
Total long-term debt	$ 79,887,817	$ 3,067,631	$ (3,252,392)	$ 79,703,056	$ 8,592,990

The terms and due dates of the District's general obligation bonds at June 30, 2021, are as follows:

General Obligation Bonds, 2009 Series

On April 21, 2009, the District issued $14,464,947 in General Obligation Bonds, 2005 Election, 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. The Current Interest Bonds maturing through November 1, 2019 have been fully paid. The Term Bond maturing November 1, 2038 was partially extinguished in 2016 using proceeds from the issuance of the 2016 General Obligation Refunding Bond.

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, including interest accreted through such maturity dates. The Capital Appreciation Bonds are not subject to redemption prior to their fixed maturity dates.

The District has pledged its tax revenue as security for the General Obligation Bonds, 2009 Series and these obligations contain a provision that in an event of default, the outstanding amounts become immediately due if the District is unable to make a payment.

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 has pledged its gross revenue as security for the Revenue Bonds, 2010 Series and these obligations contain a provision that in an event of default, the outstanding amounts become immediately due if the District is unable to make a payment.

The District is required to maintain a long-term debt service coverage ratio at the end of each fiscal year that is not less than 1.25 to 1 (or 1.1 to 1.0, if the District has 75 or more days cash on hand) and provide various reporting under the agreement.

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 semi-annually on June 1 and 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 District has pledged its gross revenue as security for the Revenue Bonds, 2013 Series and these obligations contain a provision that in an event of default, the outstanding amounts become immediately due if the District isunable to make a payment.

The District is required to maintain a long-term debt service coverage ratio at the end of each fiscal year that is not less than 1.25 to 1 (or 1.1 to 1, if the District has 75 or more days cash on hand) and provide various reporting under the agreement.

Direct placements:

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 the term 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, aredue annually through December 2035.

The District has pledged its tax revenue as security for the 2016 General Obligation Refunding Bond and these obligations contain a provision that in an event of default, the outstanding amounts become immediately due if the District is unable to make a payment.

Direct borrowings:

Capital Lease Obligations

Lease obligations to Intuitive Surgical are due in total monthly installments of $24,344 in March 2022 through 2024, including interest at 3.500%.

Lease obligations to Ascension Capital for 7 Medical are due in total monthly installments of $5,447 in October 2021 through 2025, including interest at 2.500%.

Capital lease obligations are secured by equipment and contain provisions that in an event of default, the outstanding amounts become immediately due if the District is unable to make a payment.

The general obligation bonds are general obligations of the District. The District has the power and is obligated to cause to be levied and collected the annual *ad valorem* taxes for payment of the bonds and the interest thereon upon all property within the District and without limitation as to rate or amount.

Accreted interest is to be added to the Capital Appreciation Bonds in future years. Principal maturities, which commenced October 2020, and future accreted interest on the Capital Appreciation Bonds, are included in Accreted Interest Payable.

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

Years Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest	Direct Borrowings (Excluding PPP Loans) Principal	Direct Borrowings (Excluding PPP Loans) Interest	Totals Principal	Totals Interest
2022	$ 767,000	$ 1,232,727	$ 1,260,000	$ 680,019	$ 6,565,990	$ 53,647	$ 8,592,990	$ 1,966,393
2023	847,032	1,279,287	1,330,000	608,569	8,828,937	41,196	11,005,969	1,929,052
2024	1,054,855	1,201,283	1,405,000	531,203	840,186	22,330	3,300,041	1,754,816
2025	1,106,909	1,294,595	1,480,000	449,306	21,677	-	2,608,586	1,743,901
2026	1,171,947	1,383,336	1,565,000	362,559	-	-	2,736,947	1,745,895
2027-2031	7,159,135	8,275,179	6,750,000	639,388	-	-	13,909,135	8,914,567
2032-2036	10,344,869	10,604,307	-	-	-	-	10,344,869	10,604,307
2037-2041	1,393,200	8,057,095	-	-	-	-	1,393,200	8,057,095
Sub-Totals	$ 23,844,947	$ 33,327,809	$ 13,790,000	$ 3,271,044	$ 16,256,790	$ 117,173	53,891,737	$ 36,716,026
						Premium on Bonds	379,568	
						Paycheck Protection Program Loans	9,218,579	
						Accreted Interest	16,213,172	
						Total	$ 79,703,056	

Scheduled principal and interest payments on capital leases are as follows:

Years Ending June 30,	Direct Borrowings Capital Leases
2022	$ 423,140
2023	423,140
2024	602,439
2025	21,787
Total minimum lease payments	1,470,506
Less interest	(82,327)
Present value of minimum lease payments	$ 1,388,179

Under the terms of the revenue bonds and general obligation bonds agreements, the District is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements. The loan agreement also places limits on the incurrence of additional borrowings and requires that the District satisfy certain measures of financial performance.

Unused Line of Credit

The District has a line of credit at one of the financial institutions where it holds deposits. As of the end of the fiscal year, the unused line of credit was $3,500,000.

Paycheck Protection Program Note Payable

In May 2020, the District and PHHC were granted a $8,927,628 and $290,951 loan, respectively, under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. Each loan is uncollateralized and is fully guaranteed by the Federal government. The District and PHHC are eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The District has recorded a PPP loan payable and will record the forgiveness of each loan upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2021. The District and PHHC have applied for and received notification from the SBA subsequent to year end that the PPP loans have been fully forgiven. As a result, the District has elected to classify the PPP loans within long-term liabilities as it is not expected to be using current resources to pay off the loan.

Note 8 - Retirement Plans

Defined Benefit Plan - Plan Description

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 District's 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. A separate financial report is not prepared for the Plan.

Benefits Provided

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. The Plan was closed to new entrants effective January 1, 2013.

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, 2021, are summarized as follows:

Hire Date	Prior to January
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	19.0%

Employees covered at December 31, 2020, by the benefit terms for the Plan are as follows:

Inactive employees or beneficiaries currently receiving benefits	76
Active employees	118
Total	194

Contributions

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. For the year ended June 30, 2021, the employer contribution was $3,000,000.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.36%)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentration of Credit Risk

The Plan's policy does not limit the percentage of any asset in the Plan portfolio. The composition of plan assets consisted of the following at June 30, 2021:

Asset Allocation	Percent of Total Plan Assets
Fixed dollar account	37.8%
Indexed bond fund	49.7%
Accrued contributions	12.5%
Total	100%

Net Pension Liability

The District’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial as of December 31, 2020.

Actuarial Assumptions - The total pension liability in the December 31, 2020 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	4.00%
Projected salary increase	3.00%
Investment Rate of Return	4.00%

Mortality rates for pre-retirement were based on the Pri-2012 Private Retirement Plans Mortality Tables Report, using the Employee Amount-Weighted Mortality with Generational Projection from 2012 Base Year, and using Scale MP-2020. Mortality rates for post-retirement (Annuity) were based on the Pri-2012 Private Retirement Plans Mortality Tables Report, using the Retiree/Contingent-Survivor Amount-Weighted Mortality with Generational Projection from 2012 Base Year, and using Scale MP-2020. Mortality rates for post-retirement (Lump-Sum) were based date of participation (DOP). DOP before July 1, 2009 based on the 1984 Uninsured Pensioner Mortality Table (UP) set back 4 years. DOP on or after July 1, 2009 based on the RP-2000 Table for Males set back 4 years.

The long-term expected rate of return on plan investments was determined using a building block method which best estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The table below reflects geometric average 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 geometric rates of return are net of administrative expenses.

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Cash	0.16%	1.57%
U.S. Fixed Income	92.08%	2.70%
U.S. Government Bonds	0.32%	2.19%
U.S. Credit Bonds	1.78%	3.40%
U.S. Mortgages	2.14%	2.82%
U.S. Municipal Bonds	0.40%	2.69%
U.S. Bank/Leverage Loans	2.10%	4.81%
U.S. High Yield Bonds	0.47%	5.67%
Private Equity	0.47%	11.62%
Hedge Funds - Multi-Strategy	0.08%	5.37%
Total	100%	

Discount rate – The discount rate used to measure the total pension liability was 4.00% for the plan. The project of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

The changes in the net pension liability for the plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2020	$ 62,008,986	$ 21,107,549	$ 40,901,437
Changes in the year:			
Service Cost	1,951,401	-	1,951,401
Interest on Total Pension Liability	2,298,637	-	2,298,637
Change of Assumptions	1,737,567	-	1,737,567
Differences between Expected and Actual Experience	880,397	-	880,397
Contribution - Employer	-	3,000,000	(3,000,000)
Net investment income	-	(746,702)	746,702
Benefit payments	(13,117,516)	(13,117,516)	-
Administrative Expense	-	(54,472)	54,472
Net changes	(6,249,514)	(10,918,690)	4,669,176
Balance at June 30, 2021	$ 55,759,472	$ 10,188,859	$ 45,570,613

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the District calculated using the discount rate of 4.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower or 1- percentage-point higher than the current rate.

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
District net pension liability	$ 53,846,259	$ 45,570,613	$ 38,735,939

Pension expenses and deferred outflows/inflows of resources related to pensions

For the fiscal year ending June 30, 2021, the District recognized pension expense of $7,556,212. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 11,047,364	$ (723,043)
Differences between expected and actual experience	5,925,419	(1,401,612)
Net differences between projected and actual earnings on plan investments	1,422,470	-
Total	$ 18,395,253	$ (2,124,655)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year ended June 30	
2022	$ 3,595,461
2023	3,297,079
2024	3,217,770
2025	1,923,133
2026	1,875,826
Thereafter	2,361,329
Total	$ 16,270,598

Defined Contribution Plan – Plan Description

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 percent 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, 2021, the District made employer contributions in the amount of $758,381.

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%

Note 9 - 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, 2021, 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 10 - Self-Insured Healthcare Plan

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 covercatastrophic individual claims over $200,000. 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.

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2020	$ 2,986,779	$ 9,244,001	$ (9,893,983)	$ 2,336,797
2021	2,336,797	7,819,797	(9,390,438)	766,156

Note 11 - Concentration of Credit Risk

The District grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2021 was as follows:

Medicare	40%
MediCal	10%
Other third-party payors	49%
Patients	1%
	100%

Note 12 - Contingencies

Malpractice Insurance

The District has malpractice insurance coverage to provide protection for professional liability losses on claims-made basis subject to a limit of $10 million per claim and an annual aggregate limit of $20 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs or operating activities, some of which could be material. In the opinion of management, the ultimate settlement of litigation, claims, and disputes will not be material to the financial position, operations, or cash flows of the District.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Department of Health and Human Services (HHS) and 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. Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Paycheck Protection Program Loan Review

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of $2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance.

The District and PHHC applied for and received loan forgiveness from the SBA on its PPP loans subsequent to June 30, 2021. In accordance with PPP loan requirements, the District is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The District is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the District's PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

COVID-19 Pandemic

During 2020 and 2021, the world-wide coronavirus pandemic impacted national and global economies. The Association is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the District is not known.

Note 13 - Provider Relief Funds

The District received $6,671,309 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has deadlines for incurring eligible expenses and lost revenues, varying based on the date the Hospital received the funds. Unspent funds will be expected to be repaid.

These funds are considered subsidies and recorded as a liability when received, and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to significant interpretation, changes, and future clarification, the most recent of which have been considered through the date that the financial statements were issued. In addition, this program may be subject to oversight, monitoring, and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2021, the District has recorded revenue from Provider Relief Funds of $6,671,309, included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

Note 14 - Pioneer Medical Associates Acquisition

Pioneer Medical Associates (PMA) was 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. Prior to January 27, 2021, the District owned a 66.53% interest in the partnership through acquisitions and reported its ownership of the PMA as an investment in partnership on the statement of net position.

On January 27, 2021, the District entered into a purchase agreement for the remaining partnership interests (33.47%) in PMA, consisting primarily of a medical office building and related improvements, in exchange for a contractually determined amount to the remaining partners of $1,017,488. The total acquisition value of the partnership at the date of acquisition was determined to be $3,040,000 ($1,017,488/33.47%), including the District’s ownership proportion. The purchase of PMA also resulted in a one time gain of $1,681,753 on the District’s previously reported investment in partnership as a result of the acquistion price of the remaining partnership equity at the date of purchase. This gain is reported as a special item on the statement of revenues, expenses and changes in net position.

As a result of the acquisition, the District will own and operate the medical office building. At the date of escrow closing, the District deposited $100,000 into an escrow account. The remaining balance of $917,488 will be paid to the remaining partners in two equal installments, with the first installment due on July 1, 2021 and the second installment due on January 1, 2022. The installments are reported as current notes payable on the statement of net position. The acquisition value of the net position acquired (value assigned to the related capital assets) as of the acquisition date was determined to be $2,466,903. The difference of $573,097 is reported as a deferred outflows of resources on the statement of net position.

Note 15 - Condensed Combining Information

The following summarizes combining information for the District, Foundation, Auxillary (May 31, 2021), and PHHC (December 31, 2020), which have been presented as a blended component units, as of and for the year ended June 30, 2021.

Statement of net position as of June 30, 2021:

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Assets and deferred outflows of resources					
Assets					
Current assets	$ 83,728,804	$ 318,810	$ 79,848	$ 968,023	$ 85,095,485
Capital assets, net	76,168,284	-	-	387,507	76,555,791
Other assets	5,645,382	-	-	-	5,645,382
Total assets	165,542,470	318,810	79,848	1,355,530	167,296,658
Deferred outflows of resources	18,968,350	-	-	-	18,968,350
Total assets and deferred outflows of resources	$ 184,510,820	$ 318,810	$ 79,848	$ 1,355,530	$ 186,265,008
Liabilities, deferred inflows of resources, and net position					
Liabilities					
Current liabilities	$ 18,829,039	$ -	$ -	$ 215,408	$ 19,044,447
Long-term liabilities	116,133,628	-	-	547,051	116,680,679
Total liabilities	134,962,667	-	-	762,459	135,725,126
Deferred inflows of resources	2,124,655	-	-	-	2,124,655
Net position					
Net investment in capital assets	23,608,184	-	-	126,343	23,734,527
Restricted	2,589,616	-	-	-	2,589,616
Unrestricted	21,225,698	318,810	79,848	466,728	22,091,084
Total net position	47,423,498	318,810	79,848	593,071	48,415,227
Total liabilities, deferred inflows of resources, and net position	$ 184,510,820	$ 318,810	$ 79,848	$ 1,355,530	$ 186,265,008

Operating results and changes in net position for the year ended June 30, 2021:

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Operating revenues					
Net patient service revenue	$ 83,759,890	$ -	$ -	$ 1,834,307	$ 85,594,197
Other operating revenue	18,075,196	-	8,888	1,408	18,085,492
Total operating revenues	101,835,086	-	8,888	1,835,715	103,679,689
Operating expenses					
Depreciation and amortization	4,146,505	-	-	26,336	4,172,841
Other operating expenses	97,129,697	22,992	43,482	1,809,420	99,005,591
Total operating expenses	101,276,202	22,992	43,482	1,835,756	103,178,432
Operating income (loss)	558,884	(22,992)	(34,594)	(41)	501,257
Net nonoperating revenues	6,233,161	22,538	-	206,810	6,462,509
Revenues in excess of (less than) expenses	6,792,045	(454)	(34,594)	206,769	6,963,766
Special item	1,681,753	-	-	-	1,681,753
Change in net position	8,473,798	(454)	(34,594)	206,769	8,645,519
Net position, beginning of year	38,949,700	319,264	114,442	386,302	39,769,708
Net position, end of year	$ 47,423,498	$ 318,810	$ 79,848	$ 593,071	$ 48,415,227

Cash flows for the year ended June 30, 2021:

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Net cash from (used for) operating activities	$ 2,348,805	$ (22,992)	$ (34,594)	$ 56,359	$ 2,347,578
Net cash from noncapital financing activities	478,219	22,538	-	573,679	1,074,436
Net cash from used for capital and capital related financing activities	(5,186,384)	-	-	(18,036)	(5,204,420)
Net cash from investing activities	805,797	-	-	-	805,797
Net change in cash and cash equivalents	(1,553,563)	(454)	(34,594)	612,002	(976,609)
Cash and cash equivalents, beginning of year	61,814,092	319,264	114,442	57,488	62,305,286
Cash and cash equivalents, end of year	$ 60,260,529	$ 318,810	$ 79,848	$ 669,490	$ 61,328,677

Note 16 - Related Party Transactions

In the ordinary course of business, the District has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectibility or present any other unfavorable features to the District.

Note 17 - Subsequent Events

Paycheck Protection Program Loan

The District and PHHC applied for and received loan forgiveness from the SBA on its PPP loan in August 2021 and September 2021, respectively. In accordance PPP loan requirements, the District is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The District is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on this review.

American Rescue Plan (ARP) Rural Distribution

Subsequent to year-end, the District received approximately $3 million from the American Rescue Plan (ARP) Rural distribution, which is a component of the HHS Provider Relief Fund program. This funding is subject to similar terms and conditions as other Provider Relief Fund distributions (Note 13). These funds have a period of availability for incurring eligible expenses and/or lost revenues of January 1, 2020 through December 31, 2022. Unspent funds will be expected to be repaid.

Required Supplementary Information
June 30, 2021

Northern Inyo Healthcare District

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	$ 1,951,401	$ 1,781,772	$ 2,121,997	$ 2,281,116	$ 2,812,178	$ 2,219,985	$ 2,683,298
Interest on the total pension liability	2,298,637	2,694,973	2,726,359	2,805,649	3,053,437	3,047,939	3,356,235
Differences between expected and	880,397	2,640,361	3,016,650	1,343,607	(3,295,677)	1,385,608	108,261
Changes in assumptions	1,737,567	6,850,017	(84,200)	(185,137)	(417,283)	12,966,856	(1,841,294)
Benefit payments	(13,117,516)	(8,053,422)	(8,082,821)	(5,554,354)	(7,575,753)	(8,213,871)	(9,321,220)
Net change in total pension liability	(6,249,514)	5,913,701	(302,015)	690,881	(5,423,098)	11,406,517	(5,014,720)
Total pension liability - beginning	62,008,986	56,095,285	56,397,300	56,575,151	61,998,249	50,591,732	55,606,452
Total pension liability - ending (a)	$ 55,759,472	$ 62,008,986	$ 56,095,285	$ 57,266,032	$ 56,575,151	$ 61,998,249	$ 50,591,732
Plan fiduciary net position							
Contributions - employer	$ 3,000,000	$ 5,242,000	$ 6,300,000	$ 5,340,000	$ 5,340,000	$ 3,900,000	$ 4,320,000
Net investment income	(746,702)	1,893,587	(116,063)	(292,381)	(126,769)	880,376	1,223,136
Benefit payments	(13,117,516)	(8,053,422)	(8,082,821)	(5,554,354)	(7,575,753)	(8,213,871)	(9,321,220)
Administrative expense	(54,472)	(58,625)	(64,562)	(88,502)	(55,640)	(51,336)	-
Net change in plan fiduciary net position	(10,918,690)	(976,460)	(1,963,446)	(595,237)	(2,418,162)	(3,484,831)	(3,778,084)
Plan fiduciary net position - beginning	21,107,549	22,084,009	24,047,455	26,087,619	28,505,781	31,990,612	35,768,696
Plan fiduciary net position - ending (b)	$ 10,188,859	$ 21,107,549	$ 22,084,009	$ 25,492,382	$ 26,087,619	$ 28,505,781	$ 31,990,612
Net pension liability - ending (a)-(b)	$ 45,570,613	$ 40,901,437	$ 34,011,276	$ 31,773,650	$ 30,487,532	$ 33,492,468	$ 18,601,120
Plan fiduciary net position as a	18.27%	34.04%	39.37%	44.52%	46.11%	45.98%	63.23%
Covered payroll	$ 9,302,388	$ 10,780,522	$ 11,537,345	$ 12,968,106	$ 13,529,712	$ 15,892,425	$ 17,664,833
Net pension liability as percentage of	489.88%	379.40%	294.79%	245.01%	225.34%	210.74%	105.30%
Measurement date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014

Notes to Schedule:
* - Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown. Will have 10 years presented by 2024.

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 7,752,000	$ 6,072,000	$ 5,484,000	$ 4,716,000	$ 5,340,000	$ 3,900,000	$ 4,320,000
Contributions in relation to the actuarially determined contributions	3,000,000	5,500,000	6,060,000	5,340,000	5,340,000	3,900,000	4,320,000
Contribution deficiency (excess)	$ 4,752,000	$ 572,000	$ (576,000)	$ (624,000)	$ -	$ -	$ -
Covered payroll	$ 10,780,522	$ 11,537,345	$ 12,968,106	$ 13,529,712	$ 15,892,425	$17,664,833	$ 19,429,332
Contributions as a percentage of covered payroll	27.83%	47.67%	46.73%	39.47%	33.60%	22.08%	22.23%

Notes to Schedule

Valuation date: December 31, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	15 years
Asset valuation method	Market value
Inflation	2.30%
Salary increases	3%, including inflation
Investment rate of return	4.00%
Retirement age	65, or 70

* - Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown. Will have 10 years presented by 2024.

	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	-4.36%	8.74%	-0.47%	-1.16%	-0.48%	3.11%	3.86%

* - Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown. Will have 10 years presented by 2024.

Supplementary Information
June 30, 2021

Northern Inyo Healthcare District

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	$ 54,615,147	$ 318,810	$ 79,848	$ 669,490	$ 55,683,295
Receivables					
Patient, net of estimated uncollectibles	14,201,346	-	-	275,351	14,476,697
Estimated third-party payor settlements	255,262	-	-	-	255,262
Other receivables	9,903,637	-	-	-	9,903,637
Inventory	3,374,846	-	-	-	3,374,846
Prepaid expenses and other assets	1,378,566	-	-	23,182	1,401,748
Total current assets	83,728,804	318,810	79,848	968,023	85,095,485
Noncurrent Cash and Investments					
Restricted for specific operating purposes and capital improvements	2,589,616	-	-	-	2,589,616
Restricted by trustee for debt reserve	3,055,766				3,055,766
Total noncurrent cash and investments	5,645,382	-	-	-	5,645,382
Capital Assets					
Capital assets not being depreciated	5,319,680	-	-	130,000	5,449,680
Capital assets being depreciated, net	70,848,604	-	-	257,507	71,106,111
Total capital assets	76,168,284	-	-	387,507	76,555,791
Total assets	165,542,470	318,810	79,848	1,355,530	167,296,658
Deferred Outflows of Resources					
Deferred outflows related to pensions	18,395,253	-	-	-	18,395,253
Deferred outflows related to acquisition	573,097	-	-	-	573,097
Total deferred outflows of resources	18,968,350	-	-	-	18,968,350
Total assets and deferred outflows of resources	$ 184,510,820	$ 318,810	$ 79,848	$ 1,355,530	$ 186,265,008

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Liabilities, Deferred Inflows of Resources, and Net Position					
Current Liabilities					
Notes payable	$ 917,488	$ -	$ -	$ -	$ 917,488
Current maturities of long-term debt	2,409,435	-	-	5,064	2,414,499
Current maturities of CMS advance	5,261,003	-	-	-	5,261,003
Accounts payable					
Trade	4,237,229	-	-	2,265	4,239,494
Accrued expenses					
Salaries and wages	4,381,141	-	-	145,351	4,526,492
Interest and sales taxes	126,738	-	-	-	126,738
Self-insurance claims	766,156	-	-	-	766,156
Unearned revenue	729,849	-	-	62,728	792,577
Total current liabilities	18,829,039	-	-	215,408	19,044,447
Long-Term Debt, Less Current Maturities	53,206,431	-	-	256,100	53,462,531
CMS Advance, Less Current Maturities	8,428,956	-	-	-	8,428,956
Paycheck Protection Program Loan	8,927,628	-	-	290,951	9,218,579
Net Pension Liability	45,570,613	-	-	-	45,570,613
Total liabilties	134,962,667	-	-	762,459	135,725,126
Deferred Inflows of Resources					
Deferred inflows related to pensions	2,124,655	-	-	-	2,124,655
Net Position					
Net investment in capital assets	23,608,184	-	-	126,343	23,734,527
Restricted:					
Programs	105,460	-	-	-	105,460
Capital Improvements	2,484,156	-	-	-	2,484,156
Unrestricted	21,225,698	318,810	79,848	466,728	22,091,084
Total net position	47,423,498	318,810	79,848	593,071	48,415,227
Total liabilities, deferred inflows of resources, and net position	$ 184,510,820	$ 318,810	$ 79,848	$ 1,355,530	$ 186,265,008

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Operating Revenues					
Net patient service revenue	$ 83,759,890	$ -	$ -	$ 1,834,307	$ 85,594,197
Other revenue	18,075,196	-	8,888	1,408	18,085,492
Total operating revenues	101,835,086	-	8,888	1,835,715	103,679,689
Operating Expenses					
Salaries and wages	35,390,010	-	-	1,218,862	36,608,872
Employee benefits	22,776,110	-	-	279,351	23,055,461
Professional fees and purchased services	16,086,907	3,768	-	-	16,090,675
Supplies	10,927,496	-	-	14,322	10,941,818
Purchased services	4,951,946	-	-	35,875	4,987,821
Depreciation	4,146,505	-	-	26,336	4,172,841
Other	6,997,228	19,224	43,482	261,010	7,320,944
Total operating expenses	101,276,202	22,992	43,482	1,835,756	103,178,432
Operating Income (Loss)	558,884	(22,992)	(34,594)	(41)	501,257
Nonoperating Revenues (Expenses)					
Property tax for operations	735,782	-	-	-	735,782
Property tax for debt service	2,005,678	-	-	-	2,005,678
Investment income	374,851	-	-	-	374,851
Interest expense	(3,874,348)	-	-	(13,190)	(3,887,538)
Noncapital contributions (and grants)	41,367	22,538	-	220,000	283,905
Provider relief funds	6,671,309	-	-	-	6,671,309
Gain (loss) on disposal of capital assets	(8,132)	-	-	-	(8,132)
Rental income	286,654	-	-	-	286,654
Net nonoperating revenues	6,233,161	22,538	-	206,810	6,462,509
Revenues in Excess of (Less Than) Expenses Before Special Item	6,792,045	(454)	(34,594)	206,769	6,963,766
Special Item - Gain on Sale of Investment in Partnership	1,681,753	-	-	-	1,681,753
Change in Net Position	8,473,798	(454)	(34,594)	206,769	8,645,519
Net Position, Beginning of Year	38,949,700	319,264	114,442	386,302	39,769,708
Net Position, End of Year	$ 47,423,498	$ 318,810	$ 79,848	$ 593,071	$ 48,415,227

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Operating Activities					
Receipts from and on behalf of patients	$ 85,369,867	$ -	$ -	$ 1,844,665	$ 87,214,532
Payments to suppliers and contractors	(40,497,890)	(22,992)	(43,482)	(269,227)	(40,833,591)
Payments to and on behalf employees	(51,634,283)	-	-	(1,519,079)	(53,153,362)
Other receipts and payments, net	9,111,111	-	8,888	-	9,119,999
Net Cash from (used for) Operating Activities	2,348,805	(22,992)	(34,594)	56,359	2,347,578
Noncapital Financing Activities					
Noncapital contributions (and grants)	203,354	22,538	-	62,728	288,620
Property taxes received	735,782	-	-	-	735,782
Reduction of CMS advance	(904,195)	-	-	-	(904,195)
Proceeds from Paycheck Protection Program loan	-	-	-	290,951	290,951
Contibution from Hospital to PHH	-	-	-	220,000	220,000
Other	443,278	-	-	-	443,278
Net Cash from Noncapital Financing Activities	478,219	22,538	-	573,679	1,074,436
Capital and Capital Related Financing Activities					
Principal payments on long-term debt	(484,159)	-	-	(4,846)	(489,005)
Interest paid	(3,881,611)	-	-	(13,190)	(3,894,801)
Purchase and construction of capital assets	(2,726,292)	-	-	-	(2,726,292)
Cash paid for acquisition of PMA	(100,000)	-	-	-	(100,000)
Property taxes received	2,005,678	-	-	-	2,005,678
Net Cash used for Capital and Capital Related Financing Activities	(5,186,384)	-	-	(18,036)	(5,204,420)
Investing Activites					
Investment income	374,851	-	-	-	374,851
Distributions from joint ventures	430,946	-	-	-	430,946
Net Cash from Investing Activities	805,797	-	-	-	805,797
Net Change in Cash and Cash Equivalents	(1,553,563)	(454)	(34,594)	612,002	(976,609)
Cash and Cash Equivalents, Beginning of Year	61,814,092	319,264	114,442	57,488	62,305,286
Cash and Cash Equivalents, End of Year	$ 60,260,529	$ 318,810	$ 79,848	$ 669,490	$ 61,328,677

	Hospital	Foundation	Auxillary	Pioneer Home Health Care	Total
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position					
Cash and cash equivalents in current assets	$ 54,615,147	$ 318,810	$ 79,848	$ 669,490	$ 55,683,295
Cash and cash equivalents in noncurrent cash and investments	5,645,382	-	-	-	5,645,382
Total cash and cash equivalents	$ 60,260,529	$ 318,810	$ 79,848	$ 669,490	$ 61,328,677
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities					
Operating income (loss)	$ 558,884	$ (22,992)	$ (34,594)	$ (41)	$ 501,257
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities					
Depreciation on capital assets	4,146,505	-	-	26,336	4,172,841
Pension expense	107,007	-	-	-	107,007
Provision for bad debts	7,536,137	-	-	63,209	7,599,346
Changes in assets and liabilities					
Patient receivables	1,636,108	-	-	(54,259)	1,581,849
Other receivables	(8,964,085)	-	-	-	(8,964,085)
Inventory	(723,394)	-	-	-	(723,394)
Prepaid expenses	107,437	-	-	82,658	190,095
Accounts payable	652,285	-	-	(40,678)	611,607
Estimated third-party payor settlements	(26,131)	-	-	-	(26,131)
Accrued expenses	(2,681,948)	-	-	(20,866)	(2,702,814)
Net Cash from (used for) Operating Activities	$ 2,348,805	$ (22,992)	$ (34,594)	$ 56,359	$ 2,347,578
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities					
Accounts payable for construction (and equipment)	$ 1,108,656	$ -	$ -	$ -	$ 1,108,656
PMA acquisition financed through notes payable	$ 917,488	$ -	$ -	$ -	$ 917,488

Statistical Section
June 30, 2021

Northern Inyo Healthcare District

	2021	2020	2019	2018	2017
Bed Complement					
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	14	14	14	14	14
Utilization	2021	2020	2019	2018	2017
License beds	25	25	25	25	25
Patient days	2,931	2,968	3,257	3,474	3,777
Discharges	1,050	1,104	1,037	1,106	1,136
Occupancy percentage	32%	33%	36%	38%	41%
Average stay (days)	3	3	3	3	3
Emergency room visits	7,066	8,262	9,153	8,798	8,764
Outpatient visits	48,938	40,472	38,960	38,651	38,454
Medical Staff	2021	2020	2019	2018	2017
Active	50	54	50	53	44
Consulting	25	19	17	17	30
Honorary	2	11	11	11	10
AHP	18	18	12	10	8
Other - Telemedicine	30	33	27	-	-
Total practitioners	125	135	117	91	92
Employees	2021	2020	2019	2018	2017
Full-time	370	361	362	330	296
Part-time and per diem	113	124	131	126	98
Total employees	483	485	493	456	394
Full-time equivalents	349	373.57	375.30	392.89	321.37

Bond Debt Service Coverage
(In Thousands)

	2021	2020	2019	2018	2017
Excess (deficit) of revenue over expenses	$ 8,650	$ (2,641)	$ 1,725	$ 1,696	$ 1,086
Add:					
Depreciation expense	4,170	4,302	4,267	4,457	5,167
Interest expense	3,890	2,377	2,912	2,893	3,299
Avaialable to meet debt service	$ 16,710	$ 4,038	$ 8,904	$ 9,046	$ 9,552
Actual debt service (principal and interest):					
2009 General obligation bonds	$ 1,020	$ 860	$ 1,364	$ 955	$ 625
2016 General obligation bonds	865	1,242	1,178	1,179	1,182
2010 Revenue bonds	1,204	1,179	765	769	764
2013 Revenue bonds	769	762	864	814	860
Capital leases	382	-	-	-	-
Totals	$ 4,240	$ 4,043	$ 4,171	$ 3,717	$ 3,431
Historical debt service coverage ratio	3.94	1.00	2.13	2.43	2.78

Details regarding the District's outstanding debt can be found in the notes to the financial statements. General obligation bonds are secured by ad valorem taxes on all property within the District subject to taxation by the District. Revenue bonds are secured by a pledge of revenue set forth under the indenture. The coverage calculations presented in this schedule differ from those required by the 2010 and 2013 bond indentures.