

# Northern Inyo Healthcare District

Bishop, California

Financial Statements and Supplementary Information

Years Ended June 30, 2017 and 2016

**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants

**Northern Inyo Healthcare District**  
**Financial Statements and Supplementary Information**  
Years Ended June 30, 2017 and 2016

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## **Independent Auditor's Report**

Board of Directors  
Northern Inyo Healthcare District  
Bishop, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northern Inyo Healthcare District, its discretely presented component unit, and the aggregate remaining fund information, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Northern Inyo Healthcare District basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States require the schedule of changes in the net pension liability and related ratios and contributions on pages 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## **Supplementary Information**

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

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

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

*Wipfli LLP*

Wipfli LLP

November 10, 2017  
Spokane, Washington

# Northern Inyo Healthcare District

## Statements of Net Position

June 30, 2017 and 2016

<i>Assets and Deferred Outflows of Resources</i>	2017		2016	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Current assets:				
Cash and equivalents	\$ 3,700,497	\$ 63,810	\$ 3,616,253	\$ 110,082
Current portion of assets limited as to use	2,084,955	-	1,598,000	-
Receivables:				
Patient - Net	13,692,932	-	12,050,254	-
Other	35,924	-	537,695	-
Inventory	3,996,558	-	3,151,882	-
Prepaid expenses and deposits	1,355,285	-	1,012,979	-
<b>Total current assets</b>	<b>24,866,151</b>	<b>63,810</b>	<b>21,967,063</b>	<b>110,082</b>
Other assets:				
Noncurrent assets limited as to use	18,315,044	-	20,346,263	-
Investment in PMA	512,810	-	264,441	-
Goodwill in PMA	581,219	-	581,219	-
Net pension asset	3,847	-	-	-
<b>Total other assets</b>	<b>19,412,920</b>	<b>-</b>	<b>21,191,923</b>	<b>-</b>
Capital assets				
Nondepreciable capital assets	961,144	341,260	959,015	341,260
Depreciable capital assets - Net	78,826,238	209,938	82,118,750	225,468
<b>Capital assets - Net</b>	<b>79,787,382</b>	<b>551,198</b>	<b>83,077,765</b>	<b>566,728</b>
Deferred outflows of resources	13,365,385	-	14,144,525	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 137,431,838</b>	<b>\$ 615,008</b>	<b>\$ 140,381,276</b>	<b>\$ 676,810</b>

See accompanying notes to financial statements.

# Northern Inyo Healthcare District

## Statements of Net Position

June 30, 2017 and 2016

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	2017		2016	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Current liabilities:				
Current maturities of long-term liabilities:				
Bonds payable	\$ 1,902,000	\$ -	\$ 1,598,000	\$ -
Capital lease obligation	146,310	-	943,981	-
Accounts payable	1,806,069	-	2,136,881	-
Accrued interest and sales tax	150,903	-	181,492	-
Accrued payroll and related liabilities	4,265,677	-	5,035,994	-
Estimated third-party payor settlements	987,319	-	1,621,328	-
Unearned revenue	77,427	-	-	-
<b>Total current liabilities</b>	<b>9,335,705</b>	<b>-</b>	<b>11,517,676</b>	<b>-</b>
Long-term liabilities:				
Bonds payable	44,553,401	-	46,567,830	-
Accreted interest	10,867,094	-	9,540,509	-
Capital lease obligation	-	-	146,220	-
Net pension liability	30,487,532	-	33,492,468	-
<b>Total long-term liabilities</b>	<b>85,908,027</b>	<b>-</b>	<b>89,747,027</b>	<b>-</b>
<b>Total liabilities</b>	<b>95,243,732</b>	<b>-</b>	<b>101,264,703</b>	<b>-</b>
Deferred inflows of resources	4,507,730	-	1,427,520	-
Net position:				
Net investment in capital assets	33,042,009	-	33,643,543	-
Restricted for debt service	4,142,192	-	3,677,623	-
Restricted for programs	133,140	409,141	31,371	450,255
Restricted for pension benefits	2,933	-	-	-
Unrestricted	360,102	205,867	336,516	226,555
<b>Total net position</b>	<b>37,680,376</b>	<b>615,008</b>	<b>37,689,053</b>	<b>676,810</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 137,431,838</b>	<b>\$ 615,008</b>	<b>\$ 140,381,276</b>	<b>\$ 676,810</b>

See accompanying notes to financial statements.

# Northern Inyo Healthcare District

## Statements of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	2017		2016	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Operating revenue:				
Net patient service revenue	\$ 75,170,833	\$ -	\$ 74,146,031	\$ -
Other operating revenue	438,963	192,779	692,616	192,779
<b>Total revenue</b>	<b>75,609,796</b>	<b>192,779</b>	<b>74,838,647</b>	<b>192,779</b>
Operating expenses:				
Salaries and wages	23,374,755	-	21,661,553	-
Employee benefits	17,527,645	-	15,742,060	-
Professional fees	10,897,303	1,290	11,278,187	1,280
Supplies	7,299,715	-	7,199,940	-
Purchased services	3,588,642	-	3,835,670	-
Depreciation	5,028,943	15,530	5,167,287	16,799
Other operating expenses	4,153,247	37,796	4,465,672	39,512
<b>Total operating expenses</b>	<b>71,870,250</b>	<b>54,616</b>	<b>69,350,369</b>	<b>57,591</b>
<b>Income from operations</b>	<b>3,739,546</b>	<b>138,163</b>	<b>5,488,278</b>	<b>135,188</b>
Nonoperating revenue (expenses):				
Tax revenue for operations	583,731	-	537,369	-
Tax revenue for debt services	1,304,781	-	1,496,646	-
Interest income	628,397	35	212,234	38
Interest expense	(2,959,007)	-	(3,299,568)	-
Loss on sale of asset	(4,605)	-	(10,542)	-
Noncapital grants and contributions	252,515	-	661,882	-
Medical office building - Net	(4,081,762)	-	(4,000,230)	-
<b>Total nonoperating revenue (expenses)</b>	<b>(4,275,950)</b>	<b>35</b>	<b>(4,402,209)</b>	<b>38</b>
Excess (deficit) of revenue over expenses	(536,404)	138,198	1,086,069	135,226
Capital grants and contributions	527,727	-	105,788	-
Distributions to PMA investors	-	(200,000)	-	(100,000)
Increase (decrease) in net position	(8,677)	(61,802)	1,191,857	35,226
Net position at beginning	37,689,053	676,810	36,497,196	641,584
<b>Net position at end</b>	<b>\$ 37,680,376</b>	<b>\$ 615,008</b>	<b>\$ 37,689,053</b>	<b>\$ 676,810</b>

See accompanying notes to financial statements.

# Northern Inyo Healthcare District

## Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017		2016	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities:				
Receipts from and on behalf of patients and third-party payors	\$ 72,894,146	\$ -	\$ 70,965,309	\$ -
Receipts from other operating revenue	946,024	192,779	188,278	192,779
Payments to employees	(40,822,150)	-	(36,334,184)	-
Payments to suppliers, contractors, and others	(27,456,701)	(39,086)	(25,948,758)	(40,792)
Net cash provided by operating activities	5,561,319	153,693	8,870,645	151,987
Cash flows from noncapital financing activities:				
District tax revenue for operations	583,731	-	537,369	-
Medical office building, net	(4,081,762)	-	(4,000,230)	-
Other nonoperating revenue	252,515	-	661,882	-
Net cash used in noncapital financing activities	(3,245,516)	-	(2,800,979)	-
Cash flows from capital and related financing activities:				
District tax revenue for debt services	1,382,208	-	1,496,646	-
Capital grants and contributions	527,727	-	105,788	-
Received for sale of asset	-	-	62,434	-
Proceeds from issuance of long-term debt	-	-	17,557,000	-
Principal paid on long-term debt	(1,598,000)	-	(1,098,818)	-
Long-term debt in escrow	-	-	(17,281,182)	-
Principal paid on capital lease obligations	(943,891)	-	(1,007,859)	-
Interest paid	(1,775,440)	-	(2,451,319)	-
Payments for purchase of property and equipment	(2,001,016)	-	(1,199,703)	-
Net cash used in capital and related financing activities	(4,408,412)	-	(3,817,013)	-



# Northern Inyo Healthcare District

## Statements of Cash Flows (Continued)

Years Ended June 30, 2017 and 2016

	2017		2016	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Cash flows from investing activities:				
Interest received	\$ 623,107	\$ 35	\$ 206,944	\$ 38
Net sales (purchases) of assets limited as to use	1,544,264	-	(4,693,027)	-
Partnership distributions/contributions	(248,369)	(200,000)	133,052	(100,000)
Net cash provided by (used in) investing activities	1,919,002	(199,965)	(4,353,031)	(99,962)
Net increase (decrease) in cash and cash equivalents	(173,607)	(46,272)	(2,100,378)	52,025
Cash and cash equivalents at beginning	3,616,253	110,082	5,716,631	58,057
Cash and cash equivalents at end	\$ 3,442,646	\$ 63,810	\$ 3,616,253	\$ 110,082

# Northern Inyo Healthcare District

## Statements of Cash Flows (Continued)

Years Ended June 30, 2017 and 2016

	2017		2016	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Reconciliation of income from operations to net provided by operating activities:				
Income from operations	\$ 3,739,546	\$ 138,163	\$ 5,488,278	\$ 135,188
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation and amortization	5,028,943	15,530	5,167,287	16,799
Provision for bad debts	3,221,888	-	2,213,693	-
Changes in operating assets and liabilities:				
Receivables:				
Patient - Net	(4,864,566)	-	(3,518,747)	-
Other	507,061	-	(504,338)	-
Inventory	(844,676)	-	(120,841)	-
Prepaid expenses and deposits	(342,306)	-	336,349	-
Accounts payable	(330,812)	-	615,203	-
Accrued payroll and related liabilities	(770,317)	-	(253,394)	-
Estimated third-party payor settlements	(1,134,009)	-	(1,875,668)	-
Net pension asset/liability and related deferred inflows/outflows	850,567	-	1,322,823	-
<b>Total adjustments</b>	<b>1,321,773</b>	<b>15,530</b>	<b>3,382,367</b>	<b>16,799</b>
<b>Net cash provided by operating activities</b>	<b>\$ 5,061,319</b>	<b>\$ 153,693</b>	<b>\$ 8,870,645</b>	<b>\$ 151,987</b>

### Noncash capital and investing activities:

Prior year capital expenditures charged to operations during current year	\$ 257,853	\$ -	\$ -	\$ -
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# Northern Inyo Healthcare District

## Statements of Net Position of Pension Trust Fund - Plan

December 31, 2016

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### *Assets*

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Assets:

Fixed dollar account	\$ 14,594,640
Indexed bond fund	10,774,446

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<b>TOTAL ASSETS</b>	<b>\$ 25,369,086</b>
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### *Net Position*

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Net position held in trust for pension benefits	\$ 25,369,086
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<b>TOTAL NET POSITION</b>	<b>\$ 25,369,086</b>
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# Northern Inyo Healthcare District

## Statements of Changes in Net Position of Pension Trust Fund - Plan

Years Ended December 31, 2016

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Additions:	
Employer contributions	\$ 4,500,000
Return on plan assets	131,859
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Total additions	4,631,859
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Deductions:	
Benefits paid	7,959,656
<hr/>	
Total deductions	7,959,656
<hr/>	
Change in net position	(3,327,797)
Net position at beginning	28,696,833
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Net position at end	\$ 25,369,036

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# Northern Inyo Healthcare District

## Statement of Net Position of Pension Trust Fund - PEPRA Plan

December 31, 2016

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<i>Assets</i>	
Assets:	
Cash	\$ 23,330
<b>TOTAL ASSETS</b>	<b>\$ 23,330</b>

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<i>Net Position</i>	
Net position held in trust for pension benefits	23,330
<b>TOTAL NET POSITION</b>	<b>\$ 23,330</b>

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# Northern Inyo Healthcare District

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

Year Ended December 31, 2016

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Additions:	
Employee contributions	\$ 9,380
Employer contributions	13,950
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Total additions	23,330
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Change in net position	23,330
Net position at beginning	-
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Net position at end	\$ 23,330

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# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

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

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

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

#### Discretely Presented Component Unit

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

#### Basis of Presentation

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Use of Estimates in Preparation of Financial Statements**

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

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

#### **Cash and Cash Equivalents**

The District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding assets limited as to use.

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

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

#### **Patient Receivables and Credit Policy**

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



# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Patient Receivables and Credit Policy** (Continued)

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

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

The District has a discount policy established for residents of the district. The amount of charges foregone for services and supplies furnished under the District's discount policy aggregated approximately \$326,000 and \$439,00 for the years ended June 30, 2017 and 2016, respectively.

#### **Investment in PMA**

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

#### **Goodwill in PMA**

Goodwill represents the excess of purchase price of an acquired business over the identifiable intangible assets acquired and liabilities assumed in connection with the acquisition of practices in PMA. The District reviews for impairment of goodwill on an annual basis, and this is amortized when a change in the expected duration of the intangible asset has occurred. No goodwill impairment was recognized in 2017 and 2016.

#### **Inventory**

Inventory is valued at the average unit cost, determined using the average of cost per unit extended by inventory quantity.

#### **Assets Limited as to Use**

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as 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 or other means.

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

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

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

#### Capital Assets and Depreciation

Capital assets are recorded at cost if purchased or fair value at date received if contributed. The District maintains a threshold level of a unit or group cost of \$5,000 or more for capitalizing capital assets. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Accreted Interest**

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

#### **Asset Impairment**

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment, or approval of laws or regulations or other changes in environmental factors; technological changes or evidence of obsolescence; changes in the manner or duration of use of a capital asset; and construction stoppage. The determination of the impairment loss is dependent on the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenue, expenses, and changes in net position. There were no impairment losses recorded in the years ended June 30, 2017 and 2016.

#### **Compensated Absences**

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

The total potential liability of the District's accumulated sick leave for major medical is approximately \$198,000 and \$452,000 for the years ended June 30, 2017 and 2016, respectively. Such benefits do not vest; therefore, no liability has been accrued.

#### **Retirement Plan**

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Unearned Revenue**

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

#### **Net Position**

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

#### **Net Patient Service Revenue**

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

#### **Charity Care**

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

#### **Operating Revenue and Expenses**

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **District Property Tax Revenue**

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

#### **Grants and Contributions**

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

#### **Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense totaled approximately \$41,000 and \$67,000 in 2017 and 2016, respectively.

#### **Tax Status**

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

#### **Unemployment Compensation**

The District is a part of a pooled unemployment insurance group through California Association of Hospital and Healthcare Systems (CAHHS) for unemployment insurance and does not pay state unemployment tax.

#### **Subsequent Events**

Subsequent events have been evaluated through November 10, 2017, which is the date the financial statements were available to be issued.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 2: Reimbursement Arrangements With Third-Party Payors**

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

#### **Hospital**

*Medicare* – The Medicare program has designated the District as a critical access hospital (CAH) for Medicare reimbursement purposes. Under this designation, District inpatient, outpatient, and swing bed services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain lab and mammography services, which are reimbursed based on fee schedules. The cost based payments are reduced by a two percent mandatory reduction called sequestration. Sequestration reductions for Medicare hospital services were approximately \$373,000 and \$385,000 for 2017 and 2016, respectively.

*Medi-Cal* – Under CAH designation, the District inpatient and swing bed services rendered to Medi-Cal program beneficiaries were paid on a cost based reimbursement methodology through June 30, 2015. As of July 1, 2015, the State of California established rates are based on the most recently audited cost report for the District. There are no settlements for cost based methods after June 30, 2015. The reimbursement for outpatient services is based on a fee schedule. Starting in 2014, the State of California expanded the provision of coverage to managed care organization in rural California. The District applied for and received supplemental reimbursements for its inpatient and outpatient services during 2017 and 2016. The managed care organizations are included in the supplemental reimbursement in fiscal 2017, during the year the net Inter-Governmental Transfers (IGT) related to health claims during the California fiscal year 2015 was \$1,205,451 after \$59,476 in fees paid to the health plans. The supplemental reimbursements are based on a cost based reimbursement method. This method does not guarantee that all cost are recovered after the Federal match and administrative fees are paid.

#### **Physician and Professional Services in Rural Health Clinics**

Certain physician and professional services rendered to Medicare and Medi-Cal beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology. The cost based reimbursement payments from Medicare are reduced by a two percent mandatory reduction called sequestration. The sequestration reductions for the Rural Health Clinic services was approximately \$23,000 and \$22,000 for 2017 and 2016, respectively.

#### **Hospital Based and Free Standing Physicians and Professional Services**

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **Accounting for Contractual Arrangements**

The District is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the District's related annual cost reports by the respective Medicare fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The cost reports for the District have been audited by Medicare and Medi-Cal through June 30, 2015 and 2014.

#### **Compliance**

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

CMS uses recovery audit contractors (RAC) to search for potentially inaccurate Medicare payments that might have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of June 30, 2017, the District has not been notified by the RAC of any potential significant reimbursement adjustments.

### **Note 3: Cash and Cash Equivalents**

#### **Deposits**

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

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

At June 30, 2016, the net carrying amount of deposits was \$5,262,273, and the bank balance was \$6,576,430. Of the bank balance, \$250,000 was covered by federal deposit insurance, and \$6,326,430 was collateralized (i.e., collateralized with securities held by the pledging financial institutions of at least 110% of the District's cash deposits, in accordance with the California Government Code).

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Investments

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

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

Investments included in assets limited as of use consisted of the following at June 30:

	Fair Value	Remaining Maturity (in Years)			
		0-1	1-5	5-10	More Than 10
<b>2017</b>					
Certificates of deposit	\$ 1,005,607	\$ -	\$ 1,005,607	\$ -	\$ -
LAIF	13,019,163	13,019,163	-	-	-
<b>Totals</b>	<b>\$ 14,024,770</b>	<b>\$ 13,019,163</b>	<b>\$ 1,005,607</b>	<b>\$ -</b>	<b>\$ -</b>
<b>2016</b>					
Certificates of deposit	\$ 1,020,246	\$ 153,105	\$ 867,141	\$ -	\$ -
LAIF	15,570,215	15,570,215	-	-	-
<b>Totals</b>	<b>\$ 16,590,461</b>	<b>\$ 15,723,320</b>	<b>\$ 867,141</b>	<b>\$ -</b>	<b>\$ -</b>

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

Certificates of deposit are valued at quoted market prices, which represent the net asset value (NAV) of shares held by the District at year-end.

Fixed-income securities are valued at cost, which approximates fair value.

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



# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Investments (Continued)

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

	2017				Total Assets at Fair Value
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3		
Assets:					
Fixed income securities	\$ 974,905	\$ -	\$ -	\$ -	\$ 974,905
Certificates of deposit	-	1,005,607	-	-	1,005,607
<b>Totals</b>	<b>\$ 974,905</b>	<b>\$ 1,005,607</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,980,512</b>

	2016				Total Assets at Fair Value
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3		
Assets:					
Fixed income securities	\$ -	\$ 520,378	\$ -	\$ -	\$ 520,378
Certificates of deposit	-	1,020,246	-	-	1,020,246
<b>Totals</b>	<b>\$ -</b>	<b>\$ 1,540,624</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,540,624</b>

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 an independent trust company.

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Investments (Continued)

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

	2017	2016
Fixed dollar fund	\$ 14,594,640	\$ 18,150,549
Indexed bond fund	10,774,446	10,546,334
<b>Totals</b>	<b>\$ 25,369,086</b>	<b>\$ 28,696,883</b>

*Credit Risk* - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization. The District has an investment policy that limits its investment choices by credit rating. LAIF is not rated.

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

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 4: Assets Limited as to Use

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

Assets limited as to use consisted of the following at June 30:

	2017	2016
LAIF investments:		
Board designated - Capital improvements	\$ 12,594,786	\$ 15,036,629
Internal designated - Pension plan	424,377	533,586
<b>Total LAIF investments</b>	<b>13,019,163</b>	<b>15,570,215</b>
Cash and other investments		
External restrictions:		
Bond payment funds - Under indenture agreement	2,720,239	2,693,403
Nursing scholarship fund	133,140	31,371
Bonds and interest	1,421,953	984,220
Board designations:		
Internally designated for capital acquisitions	1,124,992	1,124,430
Fixed-income, corporate bonds - Future operations	974,905	520,378
Certificates of deposit - Future operations	1,005,607	1,020,246
<b>Total cash and other investments</b>	<b>7,380,836</b>	<b>6,374,048</b>
<b>Total assets limited as to use</b>	<b>20,399,999</b>	<b>21,944,263</b>
Less - Current portion	2,084,955	1,598,000
<b>Noncurrent assets limited as to use</b>	<b>\$ 18,315,044</b>	<b>\$ 20,346,263</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 5: Patient Receivables - Net

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

	2017	2016
Patient receivables	\$ 28,190,581	\$ 22,427,240
Less:		
Contractual adjustments	12,648,649	9,144,986
Allowance for uncollectible accounts	1,849,000	1,232,000
Patient receivable - Net	\$ 13,692,932	\$ 12,050,254

The District gross days in accounts receivables was 79.42 and 64.14 for 2017 and 2016, respectively.

### Note 6: Net Patient Service Revenue

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

	2017	2016
Gross patient service revenue:		
Inpatient services	\$ 38,151,155	\$ 41,322,656
Outpatient services	91,391,838	86,647,836
Totals	129,542,993	127,970,492
Less:		
Contractual adjustments	51,150,272	51,610,768
Provision for uncollectible accounts	3,221,888	2,213,693
Net patient service revenue	\$ 75,170,833	\$ 74,146,031

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 6: Net Patient Service Revenue (Continued)

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

	2017	2016
Medicare	42 %	42 %
Medi-Cal	23 %	21 %
Other third-party payors	30 %	33 %
Patients	5 %	4 %
Patient service revenue (net of contractual allowances and discounts)	100 %	100 %

### Note 7: Charity Care

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

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$1,792,964 and \$1,204,081 for the years ended June 30, 2017 and 2016, respectively.

The estimated cost of providing care to patients under the District's charity care policy aggregated approximately \$953,000 and \$640,000 in 2017 and 2016, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the District times the gross uncompensated charges associated with providing charity care.

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 8: Capital Assets

The District's capital assets activity consisted of the following for the years ended June 30:

	2017				
	Balance July 1, 2016	Additions	Transfers and Adjustments	Deletions	Balance June 30, 2017
Nondepreciable capital assets:					
Land	\$ 735,330	\$ -	\$ -	\$ -	\$ 735,330
Construction in progress	223,685	828,075	(692,741)	(133,205)	225,814
<b>Total nondepreciable capital assets</b>	<b>959,015</b>	<b>828,075</b>	<b>(692,741)</b>	<b>(133,205)</b>	<b>961,144</b>
Depreciable capital assets:					
Land improvements	863,585	3,500	-	-	867,085
Buildings	87,803,771	5,446	-	-	87,809,217
Equipment	29,946,881	1,163,997	692,741	(377,054)	31,426,565
<b>Total depreciable capital assets</b>	<b>118,614,237</b>	<b>1,172,943</b>	<b>692,741</b>	<b>(377,054)</b>	<b>120,102,867</b>
Less - Accumulated depreciation	36,495,487	5,028,943	-	(247,801)	41,276,629
<b>Net depreciable capital assets</b>	<b>82,118,750</b>	<b>(3,856,000)</b>	<b>692,741</b>	<b>(129,253)</b>	<b>78,826,238</b>
<b>Totals</b>	<b>\$ 83,077,765</b>	<b>\$(3,027,925)</b>	<b>\$ -</b>	<b>\$(262,458)</b>	<b>\$ 79,787,382</b>

At June 30, 2017, construction in progress consisted of e-prescribing of controlled substances, pharmacy clean room, and ortho clinic move. The e-prescribing and pharmacy clean room projects are expected to be completed during fiscal year 2018; the ortho clinic move is expected to be completed by June 2020. The estimated completion costs of the projects are approximately less than \$1,325,000. The District intends to fund the projects through the use of internal funds.

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 8: Capital Assets (Continued)

	2016				
	Balance July 1, 2015	Additions	Transfers and Adjustments	Deletions	Balance June 30, 2016
Nondepreciable capital assets:					
Land	\$ 735,330	\$ -	\$ -	\$ -	735,330
Construction in progress	292,122	308,470	(376,907)	-	223,685
<b>Total nondepreciable capital assets</b>	<b>1,027,452</b>	<b>308,470</b>	<b>(376,907)</b>	<b>-</b>	<b>959,015</b>
Depreciable capital assets:					
Land improvements	863,585	-	-	-	863,585
Buildings	88,116,384	191,886	34,651	(539,150)	87,803,771
Equipment	29,759,606	699,347	342,256	(854,328)	29,946,881
<b>Total depreciable capital assets</b>	<b>118,739,575</b>	<b>891,233</b>	<b>376,907</b>	<b>(1,393,478)</b>	<b>118,614,237</b>
<b>Less - Accumulated depreciation</b>	<b>32,648,702</b>	<b>5,167,287</b>	<b>-</b>	<b>(1,320,502)</b>	<b>36,495,487</b>
<b>Net depreciable capital assets</b>	<b>86,090,873</b>	<b>(4,276,054)</b>	<b>376,907</b>	<b>(72,976)</b>	<b>82,118,750</b>
<b>Totals</b>	<b>\$ 87,118,325</b>	<b>\$ (3,967,584)</b>	<b>\$ -</b>	<b>\$ (72,976)</b>	<b>\$ 83,077,765</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 8: Capital Assets (Continued)

The PMA's capital assets activity consisted of the following for the years ended June 30:

2017				
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable capital assets:				
Land	\$ 341,260	\$ -	\$ -	\$ 341,260
<b>Total nondepreciable capital assets</b>	<b>341,260</b>	<b>-</b>	<b>-</b>	<b>341,260</b>
Depreciable capital assets - Buildings	1,043,214	-	-	1,043,214
Less - Accumulated depreciation	817,746	15,530	-	833,276
<b>Net depreciable capital assets</b>	<b>225,468</b>	<b>(15,530)</b>	<b>-</b>	<b>209,938</b>
<b>Totals</b>	<b>\$ 566,728</b>	<b>\$ (15,530)</b>	<b>\$ -</b>	<b>\$ 551,198</b>

2016				
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Nondepreciable capital assets:				
Land	\$ 341,260	\$ -	\$ -	\$ 341,260
<b>Total nondepreciable capital assets</b>	<b>341,260</b>	<b>-</b>	<b>-</b>	<b>341,260</b>
Depreciable capital assets - Buildings	1,043,214	-	-	1,043,214
Less - Accumulated depreciation	800,947	16,799	-	817,746
<b>Net depreciable capital assets</b>	<b>242,267</b>	<b>(16,799)</b>	<b>-</b>	<b>225,468</b>
<b>Totals</b>	<b>\$ 583,527</b>	<b>\$ (16,799)</b>	<b>\$ -</b>	<b>\$ 566,728</b>



# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 9: Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations activity for the years ended June 30 was as follows:

	2016	Additions	Reductions	2017	Current Due
Bonds payable:					
2016 General Obligation Refunding Bond	\$ 17,557,000	\$ -	\$ (278,000)	\$ 17,279,000	\$ 282,000
General Obligation Bonds, 2009 Series:					
Current Interest Bonds	2,535,000	-	(350,000)	2,185,000	595,000
Capital Appreciation Bonds	8,144,947	-	-	8,144,947	-
Revenue Bonds, 2010 Series	8,780,000	-	(660,000)	8,120,000	700,000
Revenue Bonds, 2013 Series	10,415,000	-	(310,000)	10,105,000	325,000
<b>Subtotal bonds payable</b>	<b>47,431,947</b>	<b>-</b>	<b>(1,598,000)</b>	<b>45,833,947</b>	<b>1,902,000</b>
Bond premiums:					
General Obligation Bonds:					
2009 Series	560,770	-	(97,376)	463,394	-
Revenue Bonds, 2013 Series	173,113	-	(15,053)	158,060	-
<b>Total bonds payable</b>	<b>48,165,830</b>	<b>-</b>	<b>(1,710,429)</b>	<b>46,455,401</b>	<b>1,902,000</b>
Accreted Interest - General Obligation Bonds, 2009 Series, Capital Appreciation Bonds	9,540,509	1,326,585	-	10,867,094	-
Capital lease obligations:					
Bank of the West-Trinity McKesson Paragon	380,892	-	(380,892)	-	-
Bank of the West-Taycor Turner Log Hospital Equipment	100,628	-	(100,628)	-	-
Bank of the West-Trinity Hospital Equipment	297,030	-	(253,779)	43,251	43,251
GE Financing 2	199,188	-	(148,543)	50,645	50,645
GE Financing 3	112,463	-	(60,049)	52,414	52,414
<b>Total capital leases payable</b>	<b>1,090,201</b>	<b>-</b>	<b>(943,891)</b>	<b>146,310</b>	<b>146,310</b>
<b>Totals</b>	<b>\$ 58,796,540</b>	<b>\$ 1,326,585</b>	<b>\$ (2,654,320)</b>	<b>\$ 57,468,805</b>	<b>\$ 2,048,310</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 9: Long-Term Debt and Capital Lease Obligations (Continued)

	2015	Additions	Reductions	2016	Current Due
Bonds payable:					
2016 General Obligation Refunding Bond	\$ -	\$ 17,557,000	\$ -	\$ 17,557,000	\$ 278,000
General Obligation Bonds, 2005 Series	14,035,000	-	(14,035,000)	-	-
General Obligation Bonds, 2009 Series:					
Current Interest Bonds	5,950,000	-	(3,415,000)	2,535,000	350,000
Capital Appreciation Bonds	8,144,947	-	-	8,144,947	-
Revenue Bonds, 2010 Series	9,400,000	-	(620,000)	8,780,000	660,000
Revenue Bonds, 2013 Series	10,725,000	-	(310,000)	10,415,000	310,000
<b>Subtotal bonds payable</b>	<b>48,254,947</b>	<b>17,557,000</b>	<b>(18,380,000)</b>	<b>47,431,947</b>	<b>1,598,000</b>
Bond premiums:					
General Obligation Bonds:					
2005 Series	290,538	-	(290,538)	-	-
2009 Series	653,497	-	(92,727)	560,770	-
Revenue Bonds, 2013 Series	188,167	-	(15,054)	173,113	-
<b>Total bonds payable</b>	<b>49,387,149</b>	<b>17,557,000</b>	<b>(18,778,319)</b>	<b>48,165,830</b>	<b>1,598,000</b>
Accreted Interest - General Obligation Bonds, 2009 Series, Capital Appreciation Bonds					
	8,213,924	1,326,585	-	9,540,509	-
Capital lease obligations:					
Bank of the West-Trinity McKesson Paragon	817,459	-	(436,567)	380,892	380,892
Bank of the West-Taycor Turner Log Hospital Equipment	229,577	-	(128,949)	100,628	100,628
Bank of the West-Trinity Hospital Equipment	537,819	-	(240,789)	297,030	253,489
GE Financing 2	344,573	-	(145,385)	199,188	148,543
GE Financing 3	168,632	-	(56,169)	112,463	60,429
<b>Total capital leases payable</b>	<b>2,098,060</b>	<b>-</b>	<b>(1,007,859)</b>	<b>1,090,201</b>	<b>943,981</b>
<b>Total</b>	<b>\$ 59,699,133</b>	<b>\$ 18,883,585</b>	<b>\$ (19,786,178)</b>	<b>\$ 58,796,540</b>	<b>\$ 2,541,981</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 9: Long-Term Debt and Capital Lease Obligations** (Continued)

The terms and due dates of the District's long-term debt and capital lease obligations at June 30, 2017, follow.

#### **Long-Term Debt**

##### **General Obligation Bonds, 2005 Series**

On September 28, 2005, the District issued \$15,035,000 in General Obligation Bonds, 2005 Election, 2005 Series to finance the expanding, equipping, and upgrading of hospital facilities. The 2005 Bonds consist of two types of bonds, Current Interest Serial Bonds and Current Interest Term Bonds, issued in the amounts of \$7,845,000 and \$7,190,000, respectively.

Interest on the Current Interest Serial Bonds is payable semiannually on May 1 and November 1 at rates of 4.25% to 6.00%. The Current Interest Serial Bonds mature annually commencing on November 1, 2006, through November 1, 2030, in amounts ranging from \$25,000 to \$995,000. Interest on the Current Interest Term Bonds is payable semiannually at 5.60%. The Current Interest Term Bonds mature annually commencing on November 1, 2031, through August 1, 2035, in amounts ranging from \$1,100,000 to \$1,790,000.

The Current Interest Serial Bonds maturing on or after November 1, 2016, may be called by the District on or after November 1, 2015. The bond debt was extinguished in 2016 using proceeds from the issuance of the 2016 General Obligation Refunding Bond.

##### **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.

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

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 9: Long-Term Debt and Capital Lease Obligations** (Continued)

#### **Revenue Bonds, 2010 Series**

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

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

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

The District is required to maintain certain covenants and provide various reporting under the agreement. Management believes the District is in compliance with all covenants at June 30, 2016.

#### **Revenue Bonds, 2013 Series**

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

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

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

#### **2016 General Obligation Refunding Bond**

On May 12, 2016, the District issued \$17,550,000 in a 2016 General Obligation Refunding Bond, to refinance the General Obligation Bonds, 2005 Series in whole and to pay a portion of General Obligation Bonds, 2009.

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 9: Long-Term Debt and Capital Lease Obligations (Continued)

#### Capital Lease Obligations

A lease obligation to Bank of the West Taycor is due in monthly installments of \$11,394 in 2012 through 2017, including interest at 4.548%, collateralized by equipment at a cost of \$612,754 and related accumulated amortization of \$310,122. Lease was paid off during 2017.

The District has two Bank of the West Trinity leases due in total monthly installments of \$60,877 in March 2012 through 2018, including interest at 4.995% and 4.857%, collateralized by equipment at a cost of \$2,839,609 and related accumulated amortization of \$2,305,056.

Lease obligations to GE Government Finance Inc. (No. 2) are due in total monthly installments of \$5,289 in March 2013 through 2018, including interest at 3.580%, collateralized by equipment at a cost of \$290,000 and related accumulated amortization of \$203,000.

Lease obligations to GE Government Finance Inc. (No. 3) are due in total monthly installments of \$12,754 in September 2012 through 2017, including interest at 3.500%, collateralized by equipment at a cost of \$700,719 and related accumulated amortization of \$365,060.

#### Advanced Refunding

The District issued \$17,557,000 in General Obligation Refunding Bonds ("2016 GOR Bond") with interest rates of 3.45% in November 2016. The proceeds were used to advance refund \$3,150,000 of outstanding General Obligation Bonds Election of 2005, Series 2009 ("2009 GO Bond"), which had interest rates of 5.75% and General Obligation Bonds Election of 2005, Series 2005 ("2005 GO Bond"), which had varying interest rates of 6.00% to 4.25%. Net proceeds of \$17,281,182 were derived from the issuance of the 2016 GOR bonds at par, including a \$9,103 premium, and after payment of \$275,818 in underwriting fees. Of the net proceeds, \$17,281,182 was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the 2005 GO Bond and 2009 GO Bond, and \$276,071 was used for issuance and other costs. As a result, the 2005 GO Bond and 2009 GO Bonds are considered defeased, and the liability for those bonds has been removed from the statements of net position. The District advance refunded bonds to reduce its total debt service payments and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$30,996. On June 30, 2017, \$3,150,000 of bonds outstanding are considered defeased.

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 9: Long-Term Debt and Capital Lease Obligations (Continued)

Scheduled principal and interest repayments on long-term obligations are as follows as of June 30, 2017:

	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2018	\$ 1,902,000	\$ 1,590,233	\$ 146,310	\$ 1,508
2019	2,178,681	1,497,933	-	-
2020	2,379,681	1,397,010	-	-
2021	1,998,759	1,909,063	-	-
2022	2,113,988	1,913,015	-	-
2023-2027	13,070,676	8,875,032	-	-
2028-2032	12,859,723	9,057,094	-	-
2033-2037	9,015,597	11,125,367	-	-
Thereafter	936,296	5,628,704	-	-
<b>Totals</b>	<b>\$ 46,455,401</b>	<b>\$ 42,993,451</b>	<b>\$ 146,310</b>	<b>\$ 1,508</b>

### Note 10: Leases

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

The future minimum required payments by year and in the aggregate under the noncancelable operating lease, as of June 30, 2017, are as follows:

	2017
2018	\$ 1,096,722
2019	1,494,741
2020	1,494,741
2021	1,494,741
2022 and beyond	1,300,069
<b>Total</b>	<b>\$ 6,881,014</b>

Total building rent expense for the years ended June 30, 2017 and 2016, was \$940,667 and \$1,087,126, respectively.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 11: Pledged Revenues

The District has pledged future revenues to repay \$11,600,000 million in District revenue bonds issued in March 2010. Proceeds from the bonds are to provide a portion of the funding for its replacement hospital project. The bonds are payable solely from revenues through 2025. The total principal and interest remaining to be paid on the bonds is \$10,623,219. Principal and interest paid for the current year and revenues were \$1,182,638 and \$71,823,552, respectively.

The District has pledged future revenue to repay \$11,335,000 in District revenue bonds issued in January 2013. Proceeds from the bonds are to provide a portion of the funding for its remodeling, expansion, improvement, and equipping of the facility. The bonds are payable solely from revenues through 2029. The total principal and interest remaining to be paid on the bonds is \$14,981,803. Principal and interest paid for the current year and revenues were \$63,938 and \$71,823,552, respectively.

### Note 12: Retirement Plans

#### Defined Benefit Plan - The Plan

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

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

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 12: Retirement Plans (Continued)

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

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

Employees covered at January 1, 2017, by the benefit terms for the Plan are as follows:

Inactive employees or beneficiaries currently receiving benefits	77
Active employees	195
<hr/>	
Total	<u>272</u>

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

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of January 1, 2017, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.



# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

The total pension liabilities in the January 1, 2017, actuarial valuations were determined using the following actuarial assumptions:

	<u>"The Plan"</u>
Valuation date (actuarial valuation date)	January 1, 2017
Measurement date (net pension liability measured)	June 30, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions	
Discount rate	5.00%
Projected salary increase	4.00%
Investment rate of return	5.00%
Mortality: Pre-retirement	RP-2014 Healthy Mortality w/ generational projection from 2006, base year using scale MP-2016.
Mortality: Post-retirement (annuity elected)	RP-2014 Healthy Mortality w/ generational projection from 2006, base year using scale MP-2016.
Mortality: Post-retirement (lump sum elected)	Based on date of participation DOP before 7/1/2009: 1984 UP, Mortality table set back four years. DOP on/after 7/1/2009: RP-2000. Table for males set back four years.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.15 %	2.72 %
U.S. fixed income	42.47 %	3.69 %
U.S. governmental bonds	8.63 %	3.17 %
U.S. credit bonds	13.81 %	4.72 %
U.S. mortgages	9.78 %	3.31 %
U.S. bank/leveraged loans	16.68 %	5.38 %
U.S. high yield bonds	3.45 %	6.98 %
Private equity	3.45 %	11.32 %
Hedge funds - Multi-strategy	0.58 %	5.91 %
<b>Totals</b>	<b>100.00 %</b>	

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

The changes in the net pension liability of the Plan are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
	\$ 61,998,249	\$ 28,505,781	\$ 33,492,468
Changes for the year:			
Service cost incurred	2,812,178	-	2,812,178
Interest on total pension liability	3,053,437	-	3,053,437
Differences between actual and expected experience	(3,295,677)	-	(3,295,677)
Changes in assumptions	(417,283)	-	(417,283)
Benefit payments	(7,575,753)	(7,575,753)	-
Contributions - Employer	-	5,340,000	(5,340,000)
Net investment income	-	(126,769)	126,769
Administrative expense	-	(55,640)	55,640
<b>Totals</b>	<b>\$ 56,575,151</b>	<b>\$ 26,087,619</b>	<b>\$ 30,487,532</b>

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

	"The Plan"
1% decrease	4.00%
Net pension liability	\$37,492,708
Current discount rate	5.00%
Net pension liability	\$33,492,468
1% increase	6.00%
Net pension liability	\$24,533,726

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

The District recognized pension expense of \$6,193,500 and \$5,222,823 in 2017 and 2016, respectively. At June 30, 2017, 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
Differences between actual and expected experience	\$ 1,149,465	\$ 2,916,864
Changes in assumptions	10,085,332	1,589,952
Net differences between projected and actual earning on plan investments	2,130,588	-
Totals	\$ 13,365,385	\$ 4,506,816

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

Year Ended June 30	Increase in Pension Expense
2018	\$ 1,640,948
2019	1,640,946
2020	1,469,252
2021	1,272,314
2022	973,218
Thereafter	1,861,891
Total	\$ 8,858,569

### Defined Benefit Plan - The PEPRA Plan

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

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

The PEPRA Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

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

Employees covered at January 1, 2017, by the benefit terms for the PEPRA Plan are as follows:

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

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

The District's net pension liability for the PEPRA Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the PEPRA Plan is measured as of June 30, 2017, using an annual actuarial valuation as of January 1, 2017, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

The total pension liabilities in the January 1, 2017, actuarial valuations were determined using the following actuarial assumptions:

	<u>"The PEPRA Plan"</u>
Valuation date (actuarial valuation date)	January 1, 2017
Measurement date (net pension liability measured)	June 30, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions	
Discount rate	5.00%
Investment rate of return	5.00%
Mortality: Pre-retirement	RP-2014 Healthy Mortality w/ generational projection from 2006, base year using scale MP-2016.
Mortality: Post-retirement (annuity elected)	RP-2014 Healthy Mortality w/generational projection from 2006, base year using scale MP-2016.

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

<i>Asset Class</i>	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. fixed income	60.00 %	3.69 %
Global equity	40.00 %	7.89 %
<b>Totals</b>	<b>100.00 %</b>	

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

The changes in the net pension liability of the PEPR Plan are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance as of June 30, 2016	\$ -	\$ -	\$ -
Changes for the year:			
Changes in assumptions	42,389	-	42,389
Contributions - Employee	-	23,072	(23,072)
Contributions - Employer	-	23,164	(23,164)
Current-year net changes	42,389	46,236	(3,847)
Totals	\$ 42,389	\$ 46,236	\$ (3,847)

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

	"The PEPR Plan"
1% decrease	4.00%
Net pension liability	\$3,575
Current discount rate	5.00%
Net pension liability	\$(3,847)
1% increase	6.00%
Net pension liability	\$(10,199)

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 12: Retirement Plans (Continued)

The District recognized pension expense of \$18,711 in 2017. At June 30, 2017, 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
Net differences between projected and actual earning on plan investments	\$ -	\$ 914

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

Year Ended June 30	Increase in Pension Expense
2018	\$ 228
2019	228
2020	228
2021	230
2022	-
Thereafter	-
<b>Total</b>	<b>\$ 914</b>

### Defined Contribution Plan

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

Benefit terms, including contribution requirements, for NICLHD are established and may be amended by the District's Board of Directors. For each employee in the pension plan, the District is required to contribute 7% as a percent of annual salary, exclusive of overtime pay, to an individual employee account. Employees are not permitted to make contributions to the pension plan. For the year ended June 30, 2017 and 2016, the District recognized pension expense of \$415,453 and \$316,613, respectively.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 12: Retirement Plans (Continued)

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

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

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

### Note 13: Medical Office Building, Net

The District has a number of Board-approved management practice arrangements with physicians to provide services for primary care and specialty services in the district. These managed contracts are nonoperating activities of the District and are listed in the nonoperating revenue (expenses) on the statements of revenue, expenses, and changes in net position. The hospital provides an income guarantee against net revenue while also providing all services for operating of the physician practices. The District has practice management agreements for the following physician practices: Pediatrics, Internal Medicine, Orthopedic Surgery, and General Surgery. The net cost of this activity is included in medical office building, net in the accompanying statements of revenue, expenses, and changes in net position for the years ended June 30, 2017 and 2016.



# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 14: 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, 2017, 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 15: Self-Funded Insurance

The District has a self-funded health care plan that provides medical and dental benefits to employees and their dependents. Employees share in the cost of health benefits. Health care expense is based on actual claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The District buys reinsurance to cover catastrophic individual claims over \$90,000. The District records a liability for claims incurred but not reported that is recorded in accrued liabilities in the accompanying statements of net position. The following represents the health plan activity for the District and estimated claims outstanding at June 30:

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017	\$ 1,322,825	\$ 5,305,722	\$ 5,314,951	\$ 1,313,596
2016	\$ 1,700,804	\$ 4,893,297	\$ 5,271,276	\$ 1,322,825

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 16: Functional Expenses

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

	2017	2016
Health care service	\$ 62,686,431	\$ 60,002,820
Management and administration	12,021,650	12,647,117
Total expenses	\$ 74,708,081	\$ 72,649,937

### Note 17: Concentration of Credit Risk

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

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

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

	2017	2016
Medicare	35 %	34 %
Medi-cal, including CMSP	26 %	25 %
Other third-party payors	32 %	35 %
Patients	7 %	6 %
Totals	100 %	100 %

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### **Note 18: Commitments and Contingencies**

#### **Litigation**

The District may from time to time be involved in litigation and regulatory investigations that arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters, if applicable, existing as of June 30, 2017, will be resolved without material adverse effect on the District's future financial position, results from operations, or cash flows.

#### **Pollution Remediation Obligations**

Pollution remediation obligations are triggered by an obligating event. An obligating event is when a government is compelled to take action to protect the public from pollution; has violated a pollution permit, license, or law; has or will be named in a lawsuit; or voluntarily engages in a cleanup. Management has considered this guidance specifically as it relates to its legal obligations related to asbestos removal on its existing properties.

Management of the District believes there has not been an obligating event, and if there had been, the amount of the potential liability could not be reasonably estimated. Therefore, no obligations have been recorded for pollution remediation as of June 30, 2017 and 2016.

## **Required Supplementary Information**

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# Northern Inyo Healthcare District

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

Last Ten Fiscal Years (If Available)

<b>Total Pension Liability</b>	2017	2016	2015
Service cost incurred	\$ 2,812,178	\$ 2,219,985	\$ 2,683,298
Interest in total pension liability	3,053,437	3,047,939	3,356,235
Difference between actual and expected	(3,295,677)	1,385,608	108,261
Change in assumption	(417,283)	12,966,856	(1,841,294)
Benefit payments	(7,575,753)	(8,213,871)	(9,321,200)
<b>Net change in total pension liability</b>	<b>(5,423,098)</b>	<b>11,406,517</b>	<b>(5,014,700)</b>
<b>Total pension liability - Beginning</b>	<b>61,998,269</b>	<b>50,591,752</b>	<b>55,606,452</b>
<b>Total pension liability - Ending (a)</b>	<b>56,575,171</b>	<b>61,998,269</b>	<b>50,591,752</b>
<b>Plan net position:</b>			
Contribution - Employer	5,340,000	3,900,000	4,320,000
Net investment income	(126,769)	880,376	1,223,136
Administrative expense	(55,640)	(51,336)	-
Benefit payments	(7,575,753)	(8,213,871)	(9,321,200)
<b>Net change in plan net position</b>	<b>(2,418,162)</b>	<b>(3,484,831)</b>	<b>(3,778,064)</b>
<b>Plan net position - Beginning</b>	<b>28,505,801</b>	<b>31,990,632</b>	<b>35,768,696</b>
<b>Plan net position - Ending (b)</b>	<b>26,087,639</b>	<b>28,505,801</b>	<b>31,990,632</b>
<b>Net pension liability - Ending (a)-(b)</b>	<b>\$ 30,487,532</b>	<b>\$ 33,492,468</b>	<b>18,601,120</b>
Plan fiduciary net position as a percentage of the total pension liability	46.11 %	45.98 %	63.23 %
Covered-employee payroll	\$ 15,892,425	\$ 17,664,833	\$ 19,429,331
Net pension liability as percentage of covered employee payroll	225.34 %	210.74 %	105.30 %

### Notes to Schedule:

Changes in assumptions: In 2017, amounts reported as changes in assumptions resulted primarily from adjustments to expected form of, discount rate, payment election, and mortality assumptions.

# Northern Inyo Healthcare District

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

Last Ten Fiscal Years (If Available)

SCHEDULE OF CONTRIBUTIONS	2017	2016	2015
Actuarially determined contribution	\$ 5,340,000	\$ 3,900,000	\$ 4,320,000
Contributions in relation to the actuarially determined contributions	5,340,000	3,900,000	4,320,000
Contribution deficiency	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 15,892,425	\$ 17,664,833	\$ 19,429,331
Contributions as a percentage of covered employee payroll	33.60 %	22.08 %	22.23 %

### Notes to Schedule

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

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

\*\* RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2016.

\*\*\* RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2016.

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

### SCHEDULE OF INVESTMENT RETURNS

	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	(0.48)%	3.11 %	3.86 %

# Northern Inyo Healthcare District

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

Last Ten Fiscal Years (If Available)

<b>Total Pension Liability</b>	2017
Changes of benefit terms	\$ 42,389
<b>Net change in total pension liability</b>	42,389
<b>Total pension liability - Beginning</b>	-
<b>Total pension liability - Ending (a)</b>	42,389
<b>Plan net position:</b>	
Contribution - Employer	23,072
Contribution - Employee	23,164
<b>Net change in plan net position</b>	46,236
<b>Plan set position - Beginning</b>	-
<b>Plan net position - Ending (b)</b>	46,236
Net pension liability (asset) - Ending (a)-(b)	\$ (3,847)
Plan fiduciary net position as a percentage of the total pension liability	109.08 %
Covered-employee payroll	\$ 117,020
Net pension liability (asset) as percentage of covered employee payroll	(3.29)%

# Northern Inyo Healthcare District

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

Last Ten Fiscal Years (If Available)

<b>SCHEDULE OF CONTRIBUTIONS</b>	<b>2017</b>
Actuarially determined contribution	\$ 13,950
Contributions in relation to the actuarially determined contributions	13,950
Contribution deficiency	\$ -
Covered-employee payroll	\$ 117,020
Contributions as a percentage of covered employee payroll	11.92 %

### Notes to Schedule

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

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

\*\* RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2016.

\*\*\* RP-2014 Healthy Mortality w/generational projection from 2006, Base Year using Scale MP-2016.

### SCHEDULE OF INVESTMENT RETURNS

2017

Annual money-weighted rate of return, net of investment expense	- %
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## **Supplementary Information**

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# Northern Inyo Healthcare District

## Combining Statement of Net Position of the District and Component Units

June 30, 2017 (Auxiliary May 31, 2017)

<i>Assets and Deferred Outflows of Resources</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Elimination	Total
Current assets:					
Cash and cash equivalents	\$ 3,247,148	\$ 396,118	\$ 57,231	\$ -	\$ 3,700,497
Current portion of assets limited as to use	2,084,955	-	-	-	2,084,955
Receivable:					
Patient-Net	13,692,932	-	-	-	13,692,932
Other	35,924	-	-	-	35,924
Inventory	3,996,558	-	-	-	3,996,558
Prepaid expenses and deposits	1,355,285	-	-	-	1,355,285
<b>Total current assets</b>	<b>24,412,802</b>	<b>396,118</b>	<b>57,231</b>	<b>-</b>	<b>24,866,151</b>
Other assets:					
Noncurrent assets limited as to use	18,315,044	-	-	-	18,315,044
Investment in PMA	512,810	-	-	-	512,810
Goodwill in PMA	581,219	-	-	-	581,219
Net pension asset	3,847	-	-	-	3,847
<b>Total other assets</b>	<b>19,412,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,412,920</b>
Capital assets:					
Nondepreciable capital assets	961,144	-	-	-	961,144
Depreciable capital assets - Net	78,826,238	-	-	-	78,826,238
<b>Capital assets - Net</b>	<b>79,787,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,787,382</b>
Deferred outflows of resources	13,365,385	-	-	-	13,365,385
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 136,978,489</b>	<b>\$ 396,118</b>	<b>\$ 57,231</b>	<b>\$ -</b>	<b>\$ 137,431,838</b>

# Northern Inyo Healthcare District

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

June 30, 2017 (Auxiliary May 31, 2017)

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Elimination	Total
Current liabilities:					
Current maturities of long-term liabilities:					
Bonds payable	\$ 1,902,000	\$ -	\$ -	\$ -	1,902,000
Capital lease obligation	146,310	-	-	-	146,310
Accounts payable	1,806,069	-	-	-	1,806,069
Accrued interest and sales tax	150,903	-	-	-	150,903
Accrued payroll and related liabilities	4,265,677	-	-	-	4,265,677
Estimated third-party payor settlements	987,319	-	-	-	987,319
Unearned revenue	77,427	-	-	-	77,427
<b>Total current liabilities</b>	<b>9,335,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,335,705</b>
Long-term liabilities:					
Bonds payable	44,553,401	-	-	-	44,553,401
Accreted interest	10,867,094	-	-	-	10,867,094
Net pension liability	30,487,532	-	-	-	30,487,532
<b>Total long-term liabilities</b>	<b>85,908,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,908,027</b>
<b>Total liabilities</b>	<b>95,243,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,243,732</b>
Deferred inflows of resources	4,507,730	-	-	-	4,507,730
Net position:					
Net investment in capital assets	33,042,009	-	-	-	33,042,009
Restricted for debt service	4,142,192	-	-	-	4,142,192
Restricted for programs	133,140	-	-	-	133,140
Restricted for pension benefits	2,933	-	-	-	2,933
Unrestricted	(93,247)	396,118	57,231	-	360,102
<b>Total net position</b>	<b>37,227,027</b>	<b>396,118</b>	<b>57,231</b>	<b>-</b>	<b>37,680,376</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 136,978,489</b>	<b>\$ 396,118</b>	<b>\$ 57,231</b>	<b>\$ -</b>	<b>\$ 137,431,838</b>

# Northern Inyo Healthcare District

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

June 30, 2016 (Auxiliary May 31, 2016)

<i>Assets and Deferred Outflows of Resources</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Elimination	Total
Current assets:					
Cash and cash equivalents	\$ 3,184,094	\$ 378,724	\$ 53,435	\$ -	\$ 3,616,253
Current portion of assets limited as to use	1,598,000	-	-	-	1,598,000
Receivable:					
Patient-Net	12,050,254	-	-	-	12,050,254
Other	537,695	-	-	-	537,695
Inventory	3,151,882	-	-	-	3,151,882
Prepaid expenses and deposits	1,012,979	-	-	-	1,012,979
<b>Total current assets</b>	<b>21,534,904</b>	<b>378,724</b>	<b>53,435</b>	<b>-</b>	<b>21,967,063</b>
Other assets:					
Noncurrent assets limited as to use	20,346,263	-	-	-	20,346,263
Investment in PMA	264,441	-	-	-	264,441
Goodwill in PMA	581,219	-	-	-	581,219
<b>Total other assets</b>	<b>21,191,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,191,923</b>
Capital assets:					
Nondepreciable capital assets	959,015	-	-	-	959,015
Depreciable capital assets - Net	82,118,750	-	-	-	82,118,750
<b>Capital assets - Net</b>	<b>83,077,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,077,765</b>
Deferred outflows of resources	14,144,525	-	-	-	14,144,525
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 139,949,117</b>	<b>\$ 378,724</b>	<b>\$ 53,435</b>	<b>\$ -</b>	<b>\$ 140,381,276</b>

# Northern Inyo Healthcare District

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

June 30, 2016 (Auxiliary May 31, 2016)

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Elimination	Total
Current liabilities:					
Current maturities of long-term liabilities:					
Bonds payable	\$ 1,598,000	\$ -	\$ -	\$ -	\$ 1,598,000
Capital lease obligation	943,981	-	-	-	943,981
Accounts payable	2,136,881	-	-	-	2,136,881
Accrued interest and sales tax	181,492	-	-	-	181,492
Accrued payroll and related liabilities	5,035,994	-	-	-	5,035,994
Estimated third-party payor settlements	1,621,328	-	-	-	1,621,328
<b>Total current liabilities</b>	<b>11,517,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,517,676</b>
Long-term liabilities:					
Bonds payable	46,567,830	-	-	-	46,567,830
Accreted interest	9,540,509	-	-	-	9,540,509
Capital lease obligation	146,220	-	-	-	146,220
Net pension liability	33,492,468	-	-	-	33,492,468
<b>Total long-term liabilities</b>	<b>89,747,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,747,027</b>
<b>Total liabilities</b>	<b>101,264,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,264,703</b>
Deferred inflows of resources	1,427,520	-	-	-	1,427,520
Net position:					
Net investment in capital assets	33,643,543	-	-	-	33,643,543
Restricted for debt service	3,677,623	-	-	-	3,677,623
Restricted for programs	31,371	-	-	-	31,371
Unrestricted	(95,643)	378,724	53,435	-	336,516
<b>Total net position</b>	<b>37,256,894</b>	<b>378,724</b>	<b>53,435</b>	<b>-</b>	<b>37,689,053</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 139,949,117</b>	<b>\$ 378,724</b>	<b>\$ 53,435</b>	<b>\$ -</b>	<b>\$ 140,381,276</b>

# Northern Inyo Healthcare District

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

June 30, 2017 (Auxiliary May 31, 2017)

	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Elimination	Total
Revenue:					
Net patient service revenue	\$ 75,170,833	\$ -	\$ -	\$ -	\$ 75,170,833
Other operating revenue	409,776	-	29,187	-	438,963
<b>Total revenue</b>	<b>75,580,609</b>	<b>-</b>	<b>29,187</b>	<b>-</b>	<b>75,609,796</b>
Operating expenses:					
Salaries and wages	23,374,755	-	-	-	23,374,755
Employee benefits	17,527,645	-	-	-	17,527,645
Professional fees	10,896,393	910	-	-	10,897,303
Supplies	7,297,227	2,488	-	-	7,299,715
Purchased services	3,588,642	-	-	-	3,588,642
Depreciation	5,028,943	-	-	-	5,028,943
Other operating expenses	4,122,331	30,916	-	-	4,153,247
<b>Total operating expenses</b>	<b>71,835,936</b>	<b>34,314</b>	<b>-</b>	<b>-</b>	<b>71,870,250</b>
<b>Income (loss) from operations</b>	<b>3,744,673</b>	<b>(34,314)</b>	<b>29,187</b>	<b>-</b>	<b>3,739,546</b>
Nonoperating revenue (expense):					
Tax revenue for operations	583,731	-	-	-	583,731
Tax revenue for debt services	1,304,781	-	-	-	1,304,781
Interest income	628,397	-	-	-	628,397
Interest expense	(2,959,007)	-	-	-	(2,959,007)
Loss on sale of asset	(4,605)	-	-	-	(4,605)
Noncapital grants and contributions	195,606	51,708	5,201	-	252,515
Medical office building - Net	(4,081,762)	-	-	-	(4,081,762)
<b>Total nonoperating revenue (expenses)</b>	<b>(4,332,859)</b>	<b>51,708</b>	<b>5,201</b>	<b>-</b>	<b>(4,275,950)</b>
<b>Excess (deficit) of revenue over expenses</b>	<b>(588,186)</b>	<b>17,394</b>	<b>34,388</b>	<b>-</b>	<b>(536,404)</b>
<b>Capital grants and contributions</b>	<b>558,319</b>	<b>-</b>	<b>(30,592)</b>	<b>-</b>	<b>527,727</b>
<b>Increase in net position</b>	<b>(29,867)</b>	<b>17,394</b>	<b>3,796</b>	<b>-</b>	<b>(8,677)</b>
<b>Net position at beginning</b>	<b>37,256,894</b>	<b>378,724</b>	<b>53,435</b>	<b>-</b>	<b>37,689,053</b>
<b>Net position at end</b>	<b>\$ 37,227,027</b>	<b>\$ 396,118</b>	<b>\$ 57,231</b>	<b>\$ -</b>	<b>\$ 37,680,376</b>

# Northern Inyo Healthcare District

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

June 30, 2016 (Auxiliary May 31, 2016)

	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Elimination	Total
Revenue:					
Net patient service revenue	\$ 74,146,031	\$ -	\$ -	\$ -	\$ 74,146,031
Other operating revenue	669,664	-	22,952	-	692,616
<b>Total revenue</b>	<b>74,815,695</b>	<b>-</b>	<b>22,952</b>	<b>-</b>	<b>74,838,647</b>
Operating expenses:					
Salaries and wages	21,661,553	-	-	-	21,661,553
Employee benefits	15,742,060	-	-	-	15,742,060
Professional fees	11,277,197	990	-	-	11,278,187
Supplies	7,198,683	1,257	-	-	7,199,940
Purchased services	3,835,670	-	-	-	3,835,670
Depreciation	5,167,287	-	-	-	5,167,287
Other operating expenses	4,463,810	1,862	-	-	4,465,672
<b>Total operating expenses</b>	<b>69,346,260</b>	<b>4,109</b>	<b>-</b>	<b>-</b>	<b>69,350,369</b>
<b>Income (loss) from operations</b>	<b>5,469,435</b>	<b>(4,109)</b>	<b>22,952</b>	<b>-</b>	<b>5,488,278</b>
Nonoperating revenue (expense):					
Tax revenue for operations	537,369	-	-	-	537,369
Tax revenue for debt services	1,496,646	-	-	-	1,496,646
Interest income	212,234	-	-	-	212,234
Interest expense	(3,299,568)	-	-	-	(3,299,568)
Loss on sale of asset	(10,542)	-	-	-	(10,542)
Noncapital grants and contributions	433,112	223,636	5,134	-	661,882
Medical office building, net	(4,000,230)	-	-	-	(4,000,230)
<b>Total nonoperating revenue (expenses)</b>	<b>(4,630,979)</b>	<b>223,636</b>	<b>5,134</b>	<b>-</b>	<b>(4,402,209)</b>
<b>Excess of revenue over expenses</b>	<b>838,456</b>	<b>219,527</b>	<b>28,086</b>	<b>-</b>	<b>1,086,069</b>
<b>Capital grants and contributions</b>	<b>128,799</b>	<b>-</b>	<b>(23,011)</b>	<b>-</b>	<b>105,788</b>
<b>Increase in net position</b>	<b>967,255</b>	<b>219,527</b>	<b>5,075</b>	<b>-</b>	<b>1,191,857</b>
<b>Net position at beginning</b>	<b>36,289,639</b>	<b>159,197</b>	<b>48,360</b>	<b>-</b>	<b>36,497,196</b>
<b>Net position at end</b>	<b>\$ 37,256,894</b>	<b>\$ 378,724</b>	<b>\$ 53,435</b>	<b>\$ -</b>	<b>\$ 37,689,053</b>

# Northern Inyo Healthcare District

## Statistical Information

Year Ended June 30, 2017

<b>Bed Complement</b>	2017	2016	2015	2014	2013
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
<b>Total licensed bed capacity</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>

  

<b>Utilization</b>	2017	2016	2015	2014	2013
License beds	25	25	25	25	25
Patient days	3,914	3,777	3,804	3,070	2,737
Discharges	1,090	1,136	1,069	1,145	1,031
Occupancy	35 %	41 %	42 %	34 %	25 %
Average stay (days)	3.0	3.3	3.3	2.7	2.8
Emergency room visits	8,959	8,764	7,948	8,191	8,658
Outpatient visits	38,829	38,454	37,684	38,545	37,368

  

<b>Medical Staff</b>	2017	2016	2015	2014	2013
Active	50	44	36	36	37
Consulting	23	30	30	30	27
Honorary	10	10	9	9	7
AHP	9	8	8	6	5
<b>Total practitioners</b>	<b>92</b>	<b>92</b>	<b>83</b>	<b>81</b>	<b>76</b>

  

<b>Employees</b>	2017	2016	2015	2014	2013
Full-time	322	296	290	273	284
Part-time and per diem	106	98	105	116	106
<b>Total employees</b>	<b>428</b>	<b>394</b>	<b>395</b>	<b>389</b>	<b>390</b>
<b>Full-time equivalents</b>	<b>298.00</b>	<b>298.00</b>	<b>321.37</b>	<b>297.51</b>	<b>279.57</b>



# Northern Inyo Healthcare District

## Statistical Information (Continued)

Year Ended June 30, 2017

<b>Bond Debt Service Coverage</b>					
	2017	2016	2015	2014	2013
Excess (deficit) of revenue over expenses	(536) \$	1,086 \$	1,100 \$	1,075 \$	625
Add:					
Depreciation and amortization expenses	5,029	5,167	4,956	5,274	3,523
Interest expense	2,959	3,299	3,530	3,626	3,731
<b>Available to meet debt service</b>	<b>\$ 7,452 \$</b>	<b>9,552 \$</b>	<b>9,586 \$</b>	<b>9,975 \$</b>	<b>7,879</b>
Actual debt service:					
2005 General obligation bonds	\$ - \$	- \$	899 \$	884 \$	884
2009 General obligation bonds	852	625	487	423	423
2010 Revenue bonds	1,182	1,182	1,178	1,182	1,182
2013 Revenue bonds	767	764	788	788	804
2016 Revenue bonds	873	860	-	-	-
<b>Totals</b>	<b>\$ 3,674 \$</b>	<b>3,431 \$</b>	<b>3,352 \$</b>	<b>3,277 \$</b>	<b>3,293</b>
Historical debt service coverage ratio	2.03	2.78	2.86	3.04	2.39