

# **Northern Inyo Healthcare District**

Bishop, California

## **Financial Statements and Supplementary Information**

Years Ended June 30, 2015 and 2014

# Northern Inyo Healthcare District

## Financial Statements and Supplementary Information

Years Ended June 30, 2015 and 2014

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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 the Northern Healthcare District, its discretely presented component unit and the aggregate remaining fund information as of and for the year ended June 30, 2015, and 2014, the related notes to the financial statements, which collectively comprise the Northern Inyo Hospital's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Northern Inyo Healthcare District, its discretely presented component unit and the aggregate remaining fund information as of June 30, 2015 and 2014, and the respective changes in financial position and, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

## Other Matters

As part of our audit of the 2014 financial statements, we also audited the adjustments described in Note 20 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## Required Supplementary Information

Accounting principles generally accepted in the United States require the schedule of funding progress and employer contributions on page 53 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 opinions on the basic financial statements are 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

December 8, 2015

Spokane, Washington

# Northern Inyo Healthcare District

## Statements of Net Position

Years Ended June 30, 2015 and 2014

<i>Assets</i>	2015		2014	
	Hospital	Pioneer Medical Associates	Restated Hospital	Pioneer Medical Associates
Current assets:				
Cash and cash equivalents	\$ 5,716,631	\$ 58,057	\$ 1,342,272	\$ 109,835
Current portion of assets limited as to use	1,470,000	-	1,240,000	-
Receivables:				
Patient - Net	10,745,200	-	11,224,470	-
Other	28,067	-	11,069	-
Inventory	3,031,041	-	2,793,677	-
Prepaid expenses and deposits	1,349,328	-	1,223,052	-
<b>Total current assets</b>	<b>22,340,267</b>	<b>58,057</b>	<b>17,834,540</b>	<b>109,835</b>
Other assets:				
Noncurrent assets limited as to use	15,781,236	-	15,052,282	-
Investment in PMA	397,493	-	464,019	-
Goodwill in PMA	581,219	-	581,219	-
<b>Total other assets</b>	<b>16,759,948</b>	<b>-</b>	<b>16,097,520</b>	<b>-</b>
Capital assets:				
Nondepreciable capital assets	1,027,452	341,260	1,087,351	341,260
Depreciable capital assets - Net	86,090,873	242,267	88,953,577	259,670
<b>Capital assets - Net</b>	<b>87,118,325</b>	<b>583,527</b>	<b>90,040,928</b>	<b>600,930</b>
Deferred outflows of resources	782,887	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 127,001,427</b>	<b>\$ 641,584</b>	<b>\$ 123,972,988</b>	<b>\$ 710,765</b>

<i>Liabilities and Net Position</i>	2015		2014	
	Hospital	Pioneer Medical Associates	Restated Hospital	Pioneer Medical Associates
Current liabilities:				
Current maturities of long-term liabilities:				
Bonds payable	\$ 1,390,000	\$ -	\$ 1,240,000	\$ -
Capital lease obligation	1,007,957	-	961,992	-
Line of credit	-	-	299,988	-
Accounts payable	1,521,678	-	1,647,428	-
Accrued interest and sales tax	261,509	-	265,106	-
Accrued payroll and related liabilities	5,289,388	-	4,563,834	-
Estimated third-party payor settlements	3,496,996	-	1,372,657	-
<b>Total current liabilities</b>	<b>12,967,528</b>	<b>-</b>	<b>10,351,005</b>	<b>-</b>
Long-term liabilities:				
Bonds payable	47,997,149	-	49,454,313	-
Accreted interest	8,213,924	-	6,887,339	-
Capital lease obligation	1,090,103	-	2,098,060	-
Net pension liability	18,601,120	-	-	-
<b>Total long-term liabilities</b>	<b>75,902,296</b>	<b>-</b>	<b>58,439,712</b>	<b>-</b>
<b>Total liabilities</b>	<b>88,869,824</b>	<b>-</b>	<b>68,790,717</b>	<b>-</b>
Deferred inflows of resources	1,634,407	-	-	-
Net position:				
Net investment in capital assets	35,377,830	-	36,025,861	-
Restricted for debt service	3,280,754	-	3,193,718	-
Restricted for programs	66,039	426,846	113,279	237,893
Unrestricted	(2,227,427)	214,738	15,849,413	472,872
<b>Total net position</b>	<b>36,497,196</b>	<b>641,584</b>	<b>55,182,271</b>	<b>710,765</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 127,001,427</b>	<b>\$ 641,584</b>	<b>\$ 123,972,988</b>	<b>\$ 710,765</b>

See accompanying notes to financial statements.

# Northern Inyo Healthcare District

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

Years Ended June 30, 2015 and 2014

	2015		2014	
	Hospital	Pioneer Medical Associates	Restated Hospital	Pioneer Medical Associates
Revenue:				
Net patient service revenue	\$ 70,694,160	\$ -	\$ 69,247,976	\$ -
Other operating revenue	1,029,392	192,779	1,111,546	192,779
<b>Total revenue</b>	<b>71,723,552</b>	<b>192,779</b>	<b>70,359,522</b>	<b>192,779</b>
Expenses:				
Salaries and wages	21,591,747	-	21,750,463	-
Employee benefits	16,799,660	-	14,523,265	-
Professional fees	6,707,405	2,610	7,285,040	-
Supplies	7,074,128	-	6,948,215	-
Purchased services	3,720,516	-	3,634,963	-
Depreciation	4,955,527	17,403	5,197,825	17,751
Other operating expense	3,759,124	41,993	3,951,452	43,743
<b>Total expenses</b>	<b>64,608,107</b>	<b>62,006</b>	<b>63,291,223</b>	<b>61,494</b>
Income from operations	7,115,445	130,773	7,068,299	131,285
Nonoperating revenue (expenses):				
Tax revenue for operations	520,257	-	564,643	-
Tax revenue for debt services	1,376,890	-	1,306,715	-
Interest income	155,749	46	135,087	74
Interest expense	(3,529,802)	-	(3,626,175)	-
Loss on sale of asset	(94,603)	-	(55,006)	-
Noncapital grants and contributions	251,407	-	217,905	-
Medical office building, net	(4,695,700)	-	(4,536,814)	-
<b>Total nonoperating revenue (expenses)</b>	<b>(6,015,802)</b>	<b>46</b>	<b>(5,993,645)</b>	<b>74</b>
Excess of revenue over expenses	1,099,643	130,819	1,074,654	131,359
Capital grants and contributions	53,038	-	131,212	-
Distributions to PMA investors	-	(200,000)	-	(100,000)
Increase (decrease) in net position	1,152,681	(69,181)	1,205,866	31,359
Net position at beginning, as previously stated	55,182,271	710,765	53,976,405	679,406
Cumulative effect for change in accounting principle	(19,837,756)	-	-	-
Net position at beginning, restated	35,344,515	710,765	53,976,405	679,406
<b>Net position at end</b>	<b>\$ 36,497,196</b>	<b>\$ 641,584</b>	<b>\$ 55,182,271</b>	<b>\$ 710,765</b>

See accompanying notes to financial statements.

# Northern Inyo Healthcare District

## Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015		2014	
	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	\$ 73,297,769	\$ -	\$ 71,390,998	\$ -
Receipts from other operating revenue	1,017,684	192,779	1,302,132	192,779
Payments to employee	(38,050,969)	-	(36,143,492)	-
Payments to suppliers, contractors, and others	(21,742,603)	(44,603)	(24,389,880)	(43,743)
Net cash provided by operating activities	14,521,881	148,176	12,159,758	149,036
Cash flows from noncapital financing activities:				
District tax revenue for operations	520,257	-	564,643	-
Net decrease in line of credit	(299,988)	-	(90,670)	-
Medical office building, net	(4,695,700)	-	(4,536,814)	-
Other nonoperating revenue	251,407	-	217,906	-
Net cash used in noncapital financing activities	(4,224,024)	-	(3,844,935)	-
Cash flows from capital financing activities:				
District tax revenue for debt services	1,376,890	-	1,306,715	-
Capital grants and contributions	53,038	(200,000)	131,212	(100,000)
Principal paid on long-term debt	(1,240,000)	-	(1,140,000)	-
Principal paid on capital lease obligations	(961,992)	-	(1,247,461)	-
Interest paid	(2,273,978)	-	(2,484,779)	-
Payments for purchase of property and equipment	(2,135,487)	-	(2,012,285)	-
Net cash used in capital and related financing activities	(5,181,529)	(200,000)	(5,446,598)	(100,000)
Cash flows from investing activities:				
Interest received	150,459	46	129,797	74
Net sales (purchases) of assets limited as to use	(958,954)	-	(3,488,605)	-
Partnership earnings received	66,526	-	133,052	-
Net cash provided by (used in) investing activities	(741,969)	46	(3,225,756)	74
Net increase (decrease) in cash and cash equivalents	4,374,359	(51,778)	(357,531)	49,110
Cash and cash equivalents at beginning	1,342,272	109,835	1,699,803	60,725
Cash and cash equivalents at end	\$ 5,716,631	\$ 58,057	\$ 1,342,272	\$ 109,835

# Northern Inyo Healthcare District

## Statements of Cash Flows (Continued)

Years Ended June 30, 2015 and 2014

	2015		2014	
	Hospital	Pioneer Medical Associates	Hospital	Pioneer Medical Associates
Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	\$ 7,115,445	\$ 130,773	\$ 7,068,299	\$ 131,285
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation and amortization	4,955,527	17,403	5,197,825	17,751
Provision for bad debts	3,567,339	-	4,041,566	-
Loss on sale of asset	7,960	-	-	-
Changes in operating assets and liabilities:				
Receivables:				
Patient - Net	(3,088,069)	-	(4,013,509)	-
Other	(11,708)	-	190,586	-
Inventories	(237,364)	-	124,940	-
Prepaid expense and deposits	(126,276)	-	(152,570)	-
Accounts payable	(125,750)	-	91,602	-
Accrued payroll and related liabilities	725,554	-	130,236	-
Estimated third-party settlements payor settlements	2,124,339	-	(519,217)	-
Net pension liability and related deferred inflows/outflows	(385,116)	-	-	-
Total adjustments	7,406,436	17,403	5,091,459	17,751
Net cash provided by operating activities	\$ 14,521,881	\$ 148,176	\$ 12,159,758	\$ 149,036

# Northern Inyo Healthcare District

## Statement of Net Position of Pension Trust Fund

Year Ended December 31, 2015

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<i>Assets</i>	
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Assets:	
Fixed dollar account	\$ 19,938,730
Indexed bond fund	10,529,895
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TOTAL ASSETS	\$ 30,468,625

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<i>Net Position</i>	
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Net position	
Net position held in trust for pension benefits	\$ 30,468,625
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TOTAL NET POSITION	\$ 30,468,625

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# Northern Inyo Healthcare District

## Statement of Changes in Net Position of Pension Trust Fund

Year Ended December 31, 2015

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Additions:

Employer contributions	\$ 4,236,000
Return on plan assets	1,575,309

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Total additions	5,811,309
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Deductions:

Benefits paid	9,172,910
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Total deductions	9,172,910
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Change in net position	(3,361,601)
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Net position at beginning	33,830,226
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Net position at end	\$ 30,468,625
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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 fund-raising 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 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 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 physician and practitioners in 1986 on hospital property at 152 Pioneer Lane. In an effort to support the continued recruitment for physicians and services, it has been the practice of Northern Inyo Healthcare 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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **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).

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

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and 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, obligations with first priority security; and collateralized mortgage obligations.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **Cash and Cash Equivalents** (Continued)

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.

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 from 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 likelihood 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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **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 Pioneer Medical Associates (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 the PMA. The District reviews for impairment of goodwill on an annual basis and is amortized when a change in the expected duration of the intangible asset has occurred. No goodwill impairment was recognized in 2014 and 2013.

#### **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.

#### **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 are 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 upon 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, 2015 and 2014.

#### **Compensated Absences**

The District accrues all leave time for employees as Paid Time-Off (PTO) and is accrued in the financial statements. In addition, employees hired prior to January 1, 2003, may 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 to the District for major medical is approximately \$358,896 and \$514,843 for the years ended June 30, 2015 and 2014. Such benefits do not vest; therefore, no liability has been accrued.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **Retirement Plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the pension net position of the Northern Inyo County Local Hospital District Retirement Plan ("the 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. 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.

#### **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 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 towards 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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **Electronic Health Record Incentive Funding**

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medi-Cal programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health records (EHR) technology. These provisions of ARRA, collectively referred to as the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act") are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

The District recognizes revenue for EHR incentive payments when there is reasonable assurance that the District will meet the conditions of the program, primarily demonstrating meaningful use of certified EHR technology for the applicable period. The demonstration of meaningful use is based on meeting a series of objectives. Meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by the Centers for Medicare and Medicaid Services (CMS).

Amounts recognized under the Medicare and Medi-Cal EHR incentive programs are based on management's best estimates. Management uses EHR incentive program guidelines to calculate the estimates which may include cost report data that is subject to audit by fiscal intermediaries.

Accordingly, amounts recognized are subject to change. In addition, the District's attestation of its compliance with the meaningful use criteria is subject to audit by the federal government or its designee.

The District incurs both capital expenditures and operating expenses in connection with the implementation of its EHR initiative. The amount and timing of these expenditures does not directly correlate with the timing of the District's receipt or recognition of the EHR incentive payments.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **Charity Care**

The District provides health care services 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, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

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

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

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **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 for 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 \$23,000 and \$108,000 in 2015 and 2014, 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.

#### **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 do not pay state unemployment tax.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### **New Accounting Pronouncements**

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The provisions of this statement have been implemented in the financial statements for the fiscal year ending June 30, 2015.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. GASB 68 will be effective for the District beginning with its year ending June 30, 2015. GASB 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The District has not determined the impact of this statement. In the year ended June 30, 2015, the District adopted Statement No. 68 and restated the opening net position as of July 1, 2014, net pension liability for benefits of \$19,837,756.

#### **Subsequent Events**

Subsequent events have been evaluated through December 8, 2015, 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 payors that provide for reimbursement to the District at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

#### Hospital

*Medicare* - The Medicare program has designated the District as a critical access hospital (CAH) for Medicare reimbursement purposes. Under this designation, District inpatient, outpatient, and swing-bed services rendered to Medicare program beneficiaries are paid based upon a cost-reimbursement methodology with the exception of certain lab and mammography services which are reimbursed based on fee schedules.

*Medi-Cal* - Under CAH designation, District inpatient and swing-bed services rendered to Medi-Cal program beneficiaries are paid based upon a cost-reimbursement methodology. The reimbursement for outpatient services is based upon a fee schedule. The District also applies for and receives supplemental reimbursement for its inpatient and outpatient services. The supplemental reimbursement is based upon a cost reimbursement methodology.

#### 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.

#### Other

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 and Medi-Cal 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, 2012 and 2011, respectively.

#### **Medi-Cal Electronic Health Record Incentive Funding**

During 2013, the District received funding from Medi-Cal under the eligible hospital EHR incentive program. The funding period for the Medi-Cal EHR incentive program is based on eligible hospitals submitting applications to the Medi-Cal program each year for four years. It was determined by Medi-Cal that the District was entitled to approximately \$1,390,000 in funding in 2013 and the District has recognized this amount in other operating revenue in the accompanying financial statements. The District anticipates that additional funding will be available from the Medi-Cal EHR incentive program in subsequent years and will record amounts when future applications are filed and funding can reasonably be determined.

#### **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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Compliance (Continued)

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may 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, 2015, the District has not been notified by the RAC of any potential significant reimbursement adjustments.

### Note 3 Cash, Cash Equivalents, and Investments

#### Deposits

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

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

At June 30, 2015, the net carrying amount of deposits was \$5,507,024 and the bank balance was \$6,673,501. Of the bank balance, \$250,000 was covered by federal deposit insurance and \$6,423,501 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, Cash Equivalents, and Investments (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 upon the District’s pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. 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>2015:</b>					
Certificates of deposit	\$ 1,002,190	\$ 151,451	\$ 850,739	\$ -	\$ -
LAIF	11,042,457	11,042,457	-	-	-
<b>Total</b>	<b>\$ 12,044,647</b>	<b>\$ 11,193,908</b>	<b>\$ 850,739</b>	<b>\$ -</b>	<b>\$ -</b>
<b>2014:</b>					
Certificates of deposit	\$ 902,141	\$ 100,000	\$ 802,141	\$ -	\$ -
LAIF	10,838,249	10,838,249	-	-	-
<b>Total</b>	<b>\$ 11,740,390</b>	<b>\$ 10,938,249</b>	<b>\$ 802,141</b>	<b>\$ -</b>	<b>\$ -</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 3 Cash, Cash Equivalents, and Investments (Continued)

#### Investments (Continued)

*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 fair value 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 approximates fair value.

Following is a summary of the District's investments as of June 30, 2015: (investments at fair value, as determined by quoted market price).

	2015	2014
Fixed dollar	19,938,730	23,872,677
Indexed bond fund	10,529,895	9,957,549
Total	30,468,625	33,830,226

*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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 3      **Cash, Cash Equivalents, and Investments** (Continued)

#### **Investments** (Continued)

*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 counterparty (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

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### 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. Investments designated as assets limited as to use are stated at fair value.

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

	2015	2014
LAIF Investements:		
Board designated - Capital improvements	\$ 10,733,335	\$ 10,838,249
Internal designated - Pension plan	309,122	-
<b>Total LAIF investments</b>	<b>11,042,457</b>	<b>10,838,249</b>
Cash and money market accounts:		
External restrictions:		
Bond payment funds - Under indenture agreement	2,660,378	2,635,145
Nursing scholarship fund	17,679	25,123
Bonds and interest	875,662	819,275
Board designations:		
Internally designated for capital acquisitions	1,124,210	1,033,639
Fixed income, corporate bonds - Future operations	528,660	550,996
Certificates of deposit - Future operations	1,002,190	389,855
<b>Total cash and money market accounts</b>	<b>6,208,779</b>	<b>5,454,033</b>
<b>Total assets limited as to use</b>	<b>17,251,236</b>	<b>16,292,282</b>
<b>Less - Current portion</b>	<b>1,470,000</b>	<b>1,240,000</b>
<b>Noncurrent assets limited as to use</b>	<b>\$ 15,781,236</b>	<b>\$ 15,052,282</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 5 Patient Receivables - Net

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

	2015	2014
Patient receivables	\$ 20,424,778	\$ 20,775,356
Less:		
Contractual adjustments	8,662,776	8,516,940
Allowance for uncollectible accounts	1,016,802	1,033,946
Patient receivables - Net	\$ 10,745,200	\$ 11,224,470

### Note 6 Net Patient Service Revenue

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

	2015	2014
Gross patient service revenue:		
Inpatient services	\$ 41,625,191	\$ 36,039,746
Outpatient services	83,523,572	80,613,628
Totals	125,148,763	116,653,374
Less:		
Contractual adjustments	50,887,264	43,363,832
Provision for uncollectible accounts	3,567,339	4,041,566
Net patient service revenue	\$ 70,694,160	\$ 69,247,976

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### 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:

	2015	2014
Medicare	43%	44%
Medi-Cal	22%	19%
Other third-party payors	31%	31%
Patients	4%	6%
Totals	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 \$1,215,123 and \$1,877,000 for the years ended June 30, 2015 and 2014, respectively.

The estimated cost of providing care to patients under the District's charity care policy aggregated approximately \$646,000 and \$1,007,000 in 2015 and 2014, 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:

	2015				Balance June 30, 2015
	Balance July 1, 2014	Additions	Transfers and Adjustments	Deletions	
Nondepreciable capital assets:					
Land	\$ 735,330	\$ -	\$ -	\$ -	\$ 735,330
Construction in progress	352,021	462,089	(521,988)	-	292,122
Total nondepreciable capital assets	1,087,351	462,089	(521,988)	-	1,027,452
Depreciable capital assets:					
Land improvements	860,394	3,191	-	-	863,585
Buildings	88,071,712	34,376	63,195	(52,899)	88,116,384
Equipment	28,972,326	1,635,831	454,919	(1,303,470)	29,759,606
Total depreciable capital assets	117,904,432	1,673,398	518,114	(1,356,369)	118,739,575
Less - Accumulated depreciation	28,950,855	4,974,125	-	(1,276,278)	32,648,702
Net depreciable capital assets	88,953,577	(3,300,727)	518,114	(80,091)	86,090,873
Totals	\$ 90,040,928	\$ (2,838,638)	\$ (3,874)	\$ (80,091)	\$ 87,118,325

At June 30, 2015, construction in progress consisted of Kronos Module, rural health clinic construction, and hospital repairs and remodeling. All of the projects are expected to be completed during 2016. The estimated completion costs of the projects are approximately \$127,000. The District is considering funding alternatives including LAIF Walker Fund and internal funding.

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 8 Capital Assets (Continued)

	2014				Balance June 30, 2014
	Balance July 1, 2013	Additions	Transfers and Adjustments	Deletions	
Nondepreciable capital assets:					
Land	\$ 735,330	\$ -	\$ -	\$ -	\$ 735,330
Construction in progress	332,022	442,211	(422,212)	-	352,021
Total nondepreciable capital assets	1,067,352	442,211	(422,212)	-	1,087,351
Depreciable capital assets:					
Land improvements	854,630	5,764	-	-	860,394
Buildings	87,555,050	516,662	-	-	88,071,712
Equipment	31,234,386	1,047,648	422,212	(3,731,920)	28,972,326
Total depreciable capital assets	119,644,066	1,570,074	422,212	(3,731,920)	117,904,432
Less - Accumulated depreciation	27,429,943	5,197,825	-	(3,676,913)	28,950,855
Net depreciable capital assets	92,214,123	(3,627,751)	422,212	(55,007)	88,953,577
Totals	\$ 93,281,475	\$ (3,185,540)	\$ -	\$ (55,007)	\$ 90,040,928

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 8 Capital Assets

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

	2015			
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Nondepreciable capital assets -				
Land	\$ 341,260	\$ -	\$ -	\$ 341,260
Total nondepreciable capital assets	341,260	-	-	341,260
Depreciable capital assets -				
Buildings	1,043,214	-	-	1,043,214
Less - Accumulated depreciation	783,544	17,403	-	800,947
Net depreciable capital assets	259,670	(17,403)	-	242,267
<b>Totals</b>	<b>\$ 600,930</b>	<b>\$ (17,403)</b>	<b>\$ -</b>	<b>\$ 583,527</b>

	2014			
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable capital assets -				
Land	341,260	\$ -	\$ -	\$ 341,260
Total nondepreciable capital assets	341,260	-	-	341,260
Depreciable capital assets -				
Buildings	1,043,214	-	-	1,043,214
Less - Accumulated depreciation	765,793	17,751	-	783,544
Net depreciable capital assets	277,421	(17,751)	-	259,670
<b>Totals</b>	<b>\$ 618,681</b>	<b>\$ (17,751)</b>	<b>\$ -</b>	<b>\$ 600,930</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:

	2014	Additions	Reductions	2015	Current Due
Bonds payable:					
General Obligation Bonds, 2005 Series	\$ 14,200,000	\$ -	\$ (165,000)	\$ 14,035,000	\$ 195,000
General Obligation Bonds, 2009 Series:					
Current Interest Bonds	6,140,000	-	(190,000)	5,950,000	265,000
Capital Appreciation Bonds	8,144,947	-	-	8,144,947	-
Revenue Bonds, 2010 Series	9,990,000	-	(590,000)	9,400,000	620,000
Revenue Bonds, 2013 Series	11,020,000	-	(295,000)	10,725,000	310,000
<b>Sub total bonds payable</b>	<b>49,494,947</b>	<b>-</b>	<b>(1,240,000)</b>	<b>48,254,947</b>	<b>1,390,000</b>
Bond premiums:					
General Obligation Bonds:					
2005 Series	305,004	-	(14,466)	290,538	-
2009 Series	691,142	-	(37,645)	653,497	-
Revenue Bonds, 2013 Series	203,220	-	(15,053)	188,167	-
<b>Total bonds payable</b>	<b>50,694,313</b>	<b>-</b>	<b>(1,307,164)</b>	<b>49,387,149</b>	<b>1,390,000</b>
Accreted interest -					
General Obligation Bonds, 2009 Series, Capital Appreciation Bonds	6,887,339	1,326,585	-	8,213,924	-
Capital leases obligations:					
Bank of the West-Trinity					
McKesson Paragon	1,232,828	-	(415,369)	817,459	436,567
Bank of the West-Taycor					
Turner Log Hospital Equipment	352,804	-	(123,227)	229,577	128,949
Bank of the West-Trinity					
Hospital Equipment	766,534	-	(228,715)	537,819	240,788
GE Financing 2	482,995	-	(138,422)	344,573	143,346
GE Financing 3	224,891	-	(56,259)	168,632	58,307
<b>Total capital leases payable</b>	<b>3,060,052</b>	<b>-</b>	<b>(961,992)</b>	<b>2,098,060</b>	<b>1,007,957</b>
<b>Total long-term debt, capital leases payable, and other noncurrent liabilities</b>	<b>\$ 60,641,704</b>	<b>\$ 1,326,585</b>	<b>\$ (2,269,156)</b>	<b>\$ 59,699,133</b>	<b>\$ 2,397,957</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

	2013	Additions	Reductions	2014	Current Due
Bonds payable:					
General Obligation Bonds, 2005 Series	\$ 14,340,000	\$ -	\$ (140,000)	\$ 14,200,000	\$ 165,000
General Obligation Bonds, 2009 Series:					
Current Interest Bonds	6,260,000	-	(120,000)	6,140,000	190,000
Capital Appreciation Bonds	8,144,947	-	-	8,144,947	-
Revenue Bonds, 2010 Series	10,555,000	-	(565,000)	9,990,000	590,000
Revenue Bonds, 2013 Series	11,335,000	-	(315,000)	11,020,000	295,000
Sub total bonds payable	50,634,947	-	(1,140,000)	49,494,947	1,240,000
Bond premiums:					
General Obligation Bonds:					
2005 Series	319,471	-	(14,467)	305,004	-
2009 Series	770,885	-	(79,743)	691,142	-
Revenue Bonds, 2013 Series	218,273	-	(15,053)	203,220	-
Total bonds payable	51,943,576	-	(1,249,263)	50,694,313	1,240,000
Accreted interest -					
General Obligation Bonds, 2009 Series, Capital Appreciation Bonds	5,560,754	1,326,585	-	6,887,339	-
Capital leases obligations:					
GE Financing	368,574	-	(368,574)	-	-
Bank of the West-Trinity					
McKesson Paragon	1,627,524	-	(394,696)	1,232,828	415,368
Bank of the West-Taycor					
Turner Log Hospital Equipment	470,128	-	(117,324)	352,804	123,226
Bank of the West-Trinity					
Hospital Equipment	960,084	-	(193,550)	766,534	228,715
GE Financing 2	609,434	-	(126,439)	482,995	138,423
GE Financing 3	271,769	-	(46,878)	224,891	56,260
Total capital leases payable	4,307,513	-	(1,247,461)	3,060,052	961,992
Total long-term debt, capital leases payable, and other noncurrent liabilities	\$ 61,811,843	\$ 1,326,585	\$ (2,496,724)	\$ 60,641,704	\$ 2,201,992

# 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, 2015, 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 are comprised 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.

##### 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 are comprised 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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

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.

#### Revenue Bonds, 2010 Series

On April 14, 2010, the District issued \$11,600,000 in Revenue Bonds, 2010 Series to finance the replacement hospital, to finance the bond reserve account, and to 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 5.00% 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, 2015, may be called by the District beginning December 1, 2011.

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, 2014.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Revenue Bonds, 2013 Series

On January 17, 2013, the District issued \$11,335,000 in Revenue Bonds, 2013 Series to finance the replacement hospital, to finance the bond reserve account, and to 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 5.00%. 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.

#### Capital Lease Obligations

Lease obligation to GE Government Finance Inc. leases due in total monthly installments of \$62,213 in March 2007 through 2013, collateralized by equipment at a cost of \$3,712,016 and is fully depreciated. The lease obligation was paid in full in December 2013.

Lease obligation to Bank of the West Taycor 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 \$88,607.

The District has two Bank of the West Trinity leases due in total monthly installments of \$60,877 in March 2012 through 2018, collateralized by equipment at a cost of \$2,839,609 and related accumulated amortization of \$576,264.

Lease obligation to GE Government Finance Inc. (No. 2) leases due in total monthly installments of \$5,289 in March 2013 through 2018, collateralized by equipment at a cost of \$290,000 and related accumulated amortization of \$33,021.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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

#### Capital Lease Obligations (Continued)

Lease obligation to GE Government Finance Inc. (No. 3) leases due in total monthly installments of \$12,754 in September 2012 through 2017, collateralized by equipment at a cost of \$700,719 and related accumulated amortization of \$71,282.

Lease obligation to Healthcare Capital due in total monthly installments of \$33,590 in 2009 through 2013, collateralized by equipment at a cost of \$1,138,630 and is fully accumulated.

Scheduled principal and interest repayments on long-term obligations are as follows as of June 30, 2015:

	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2016	\$ 1,390,000	\$ 2,031,636	\$ 1,007,957	\$ 75,808
2017	1,647,187	1,958,757	943,892	27,751
2018	1,827,187	1,877,887	146,211	1,509
2019	2,012,187	1,790,252	-	-
2020	2,207,187	1,894,675	-	-
2021-2025	10,510,180	10,871,556	-	-
2026-2030	14,014,494	10,641,011	-	-
2031-2035	8,860,686	11,632,854	-	-
2036-2040	6,918,041	10,049,326	-	-
<b>Totals</b>	<b>\$ 49,387,149</b>	<b>\$ 52,747,954</b>	<b>\$ 2,098,060</b>	<b>\$ 105,068</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 10 Line of Credit

The District has a bank line of credit agreement with Oak Valley Community Bank that provides for maximum borrowing of \$600,000 at 6.50% as of June 30, 2015 and 2014. The purpose of the line of credit is for the District to cover expenses incurred from the additional building added to the facility for physician practices. Line of credit activities as of June 30, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2015	\$ 299,988	\$ -	\$ 299,988	\$ -
2014	\$ 390,658	\$ -	\$ 90,670	\$ 299,988

### Note 11 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.

The future required payments by year end in the aggregate under the noncancelable operating lease, as of June 30, 2015, are as follows:

2016	\$ 106,845
2017	45,144
2018	762
2019	-
2020	-
Total minimum lease payments	\$ 152,751

Total building rent expense for the years ended June 30, 2015 and 2014, was \$1,043,850 and \$1,068,150, respectively.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 12 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 and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$12,983,794. Principal and interest paid for the current year and revenues were \$1,178,188 and \$71,823,552, respectively.

The District has pledged future revenues 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 and are payable through 2029. The total principal and interest remaining to be paid on the bonds is \$15,757,753. Principal and interest paid for the current year and revenues were \$772,672 and \$71,823,552, respectively.

### Note 13 Retirement Plans

#### Defined Benefit 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 5 years of service. The benefit vesting schedule is 50% vesting after 5 years increasing 10% per year to 100% vested after 10 years of service.

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 13 Retirement Plans (Continued)

#### Defined Benefit Plan (Continued)

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

The Plan's provisions and benefits in effect at June 30, 2015, 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, 2015, that were covered by the benefit terms for the Plan are as follows:

	<u>January 1, 2015</u>
Inactive employees or beneficiaries currently receiving benefits	59
Active employees	266
<b>Total</b>	<b><u>325</u></b>

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 is 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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 13 Retirement Plans (Continued)

#### Defined Benefit Plan (Continued)

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, 2015, using an annual actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

The total pension liabilities in the January 1, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>"The Plan"</u>
Valuation Date (actuarial valuation date)	January 1, 2015
Measurement Date (net pension liability measured)	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.25%
Projected Salary Increase	4.00%
Investment Rate of Return	5.20%
Mortality	Based on Date of Participation (DOP*)

\* DOP Before 7/1/2009: 1984 UP Mortality Table set back 4 years.

\* DOP On/After 7/1/2009: RP-2000 Table for Males set back 4 years.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 13 Retirement Plans (Continued)

#### Defined Benefit Plan (Continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
US Core Fixed Income	30%	4.95%
US High Yield Bonds	62%	7.32%
Private Real Estate Property	8%	6.49%
Total	100%	

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 13 Retirement Plans (Continued)

#### Defined Benefit Plan (Continued)

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

	Total Pension Liability	Increase (Decrease) Plan Net Position	Net Pension Liability (Asset)
Balance as of June 30, 2014	\$ 55,606,452	\$ 35,768,696	\$ 19,837,756
Changes in the Year:			
Service cost incurred	2,683,298	-	2,683,298
interest in total pension liability	3,356,235	-	3,356,235
Differences between actual and expected	108,261	-	108,261
Change in assumption	(1,841,294)	-	(1,841,294)
Benefit payments	(9,321,200)	-	(9,321,200)
Contribution - employer	-	4,320,000	(4,320,000)
Net investment income	-	1,223,136	(1,223,136)
Benefit payments	-	(9,321,200)	9,321,200
Current year net changes	(5,014,700)	(3,778,064)	(1,236,636)
Balance as of June 30, 2015	\$ 50,591,752	\$ 31,990,632	\$ 18,601,120

# Northern Inyo Healthcare District

## Notes to Financial Statements

### Note 13 Retirement Plans (Continued)

#### Defined Benefit Plan (Continued)

The following presents the net pension liability of the District's Plan, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>"The Plan"</u>
1% Decrease	5.25%
Net Pension Liability	\$22,182,821
Current Discount Rate	6.25%
Net Pension Liability	\$18,601,120
1% Increase	7.25%
Net Pension Liability	\$15,327,293

For the year ended June 30, 2015, the District recognized pension expense of \$3,934,884. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between actual and expected experience	-	96,097
Changes in assumptions	(1,634,407)	-
Net differences between projected and actual earnings on plan investments	-	-
	-	686,790
<b>Total</b>	<b>(1,634,407)</b>	<b>782,887</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 13 Retirement Plans (Continued)

#### Defined Benefit Plan (Continued)

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	Deferred Outflows	Deferred Inflows	Total	
2016	\$ 183,862	\$ (206,887)	\$ (23,025)	
2017	183,862	(206,887)	(23,025)	
2018	183,862	(206,887)	(23,025)	
2019	183,860	(206,887)	(23,027)	
2020	12,164	(206,887)	(194,723)	
Thereafter	35,277	(599,972)	(564,695)	
Total	\$ 782,887	\$ (1,634,407)	\$ (851,520)	

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 13 Retirement Plans (Continued)

#### 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 has attained the age of 21 years and was not a participant in the District's defined benefit plan prior to January 1, 2013, and completion of one year of service. NICLHD is administered by the District.

Benefit terms, including contribution requirements, for NICLHD are established and may be amended by the District board of directors. For each employee in the pension plan, the District is required to contribute as a percent of annual salary not to exceed 10% of net income, 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, 2015 and 2014, the District recognized pension expense of \$120,981 and \$127,708, respectively.

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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 14      **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 section of the income statement. 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: Family and Women's Clinic, Urology, Pediatrics, Obstetrics and Gynecology, Internal Medicine, Orthopedic Surgery, and General Surgery. The net cost of this activity is included under medical office building, net in the accompanying statements of revenue, expenses, and changes in net position for the years ended June 30, 2015 and 2014.

### Note 15      **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, 2015, 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.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 15 Risk Management (Continued)

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 which is adjusted annually. If participation in the ALPHA Fund is 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 16 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
2015	\$ 1,271,299	\$ 7,232,723	\$ 6,803,218	\$ 1,700,804
2014	\$ 1,261,003	\$ 5,091,033	\$ 5,080,737	\$ 1,271,299

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 17      **Functional Expenses**

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

	<b>2015</b>	<b>2014</b>
Health care services	\$ 55,820,707	\$ 61,733,038
Management and administration	12,317,202	5,184,360
<b>Total expenses</b>	<b>\$ 68,137,909</b>	<b>\$ 66,917,398</b>

### Note 18      **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:

	<b>2015</b>	<b>2014</b>
Medicare	39%	24%
Medicaid, including CMSP	23%	34%
Other third-party payors	30%	27%
Patients	8%	15%
<b>Totals</b>	<b>100%</b>	<b>100%</b>

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 19      **Commitments and Contingencies**

#### **Litigation**

The District may from time to time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters, if applicable, existing as of June 30, 2014, 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 law suit, or the government voluntarily engages in a clean-up. 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, 2015 and 2014.

#### **Seismic Compliance**

Earthquakes affecting California hospitals have prompted the State of California to impose new hospital seismic safety standards pursuant to Senate Bill 1953 (SB 1953) adopted in 1998. Under these new standards, California hospitals will be required to meet stringent seismic safety criteria, which may necessitate major renovation in certain facilities or even partial or full replacement. The District's recently building construction project complies with all seismic requirements.

# Northern Inyo Healthcare District

## Notes to Financial Statements

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### Note 20 Restatement of Net Position

As a result of the items described below, beginning net position and change in net position as reflected on the statement of revenue, expenses, and changes in net position for the year ended June 30, 2014, have been restated as follows:

	Change in Net Position	Beginning Net Position
Balance before restatement	\$ 1,358,060	\$ 49,486,687
Capitalized portion of accretive interest from prior years	-	4,565,815
Depreciation on capitalized interest	(152,194)	(76,097)
Total	\$ 1,205,866	\$ 53,976,405

### Note 21 Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 classifications.

## Required Supplementary Information

# Northern Inyo Healthcare District

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

Year Ended June 30, 2015

### SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

<b>Total Pension Liability</b>	<b>2015*</b>
Service cost incurred	\$ 2,683,298
interest in total pension liability	3,356,235
Differences between actual and expected	108,261
Change in assumption	(1,841,294)
Benefit payments	(9,321,200)
<b>Net change in total pension liability</b>	<b>(5,014,700)</b>
<b>Total pension liability - Beginning</b>	<b>55,606,452</b>
<b>Total pension liability - Ending (a)</b>	<b>\$ 50,591,752</b>
<b>Plan net position</b>	
Contribution - employer	\$ 4,320,000
Net investment income	1,223,136
Benefit payments	(9,321,200)
<b>Net change in plan net position</b>	<b>(3,778,064)</b>
<b>Plan net position - Beginning</b>	<b>35,768,696</b>
<b>Plan net position - Ending (b)</b>	<b>\$ 31,990,632</b>
<b>Net pension liability - Ending (a) - (b)</b>	<b>\$ 18,601,120</b>
Plan fiduciary net position as a percentage of the total pension liability	66%
Covered - employee payroll	\$ 17,664,833
Net pension liability as percentage of covered employee payroll	93%

#### Notes to Schedule:

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of plan employees.

# Northern Inyo Healthcare District

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

Year Ended June 30, 2015

### SCHEDULE OF CONTRIBUTIONS

2015\*

Actuarially determined contribution	\$ 4,320,000
Contributions in relation to the actuarially determined contributions	4,320,000
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 19,429,331
Contributions as a percentage of covered employee payroll	22%

#### Notes to Schedule

Valuation date: January 1, 2015

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	6.54%
Retirement age	65, or 70 **
Mortality	Based on Date of Participation (DOP**)

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

\*\* - The later of age 65 or the 5th anniversary of date of participation; or age 70, if earlier.

\*\*\* DOP Before 7/1/2009: 1984 UP Mortality Table set back 4 years.

\*\*\* DOP On/After 7/1/2009: RP-2000 Table for Males set back 4 years.

### SCHEDULE OF INVESTMENT RETURNS

2015

Annual money-weighted rate of return, net of investment expense	3.86%
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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

Year Ended June 30, 2015, Auxiliary Year Ended May 31, 2015

<i>Assets</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 5,509,074	\$ 159,197	\$ 48,360	\$ -	\$ 5,716,631
Current portion of assets limited as to use	1,470,000	-	-	-	1,470,000
Receivables:					
Patient - Net	10,745,200	-	-	-	10,745,200
Other	28,067	-	-	-	28,067
Inventory	3,031,041	-	-	-	3,031,041
Prepaid expenses and deposits	1,349,328	-	-	-	1,349,328
<b>Total current assets</b>	<b>22,132,710</b>	<b>159,197</b>	<b>48,360</b>	<b>-</b>	<b>22,340,267</b>
Other assets:					
Noncurrent assets limited as to use	15,781,236	-	-	-	15,781,236
Investment in PMA	397,493	-	-	-	397,493
Goodwill in PMA	581,219	-	-	-	581,219
<b>Total other assets</b>	<b>16,759,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,759,948</b>
Capital assets:					
Nondepreciable capital assets	1,027,452	-	-	-	1,027,452
Depreciable capital assets - Net	86,090,873	-	-	-	86,090,873
<b>Capital assets - Net</b>	<b>87,118,325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,118,325</b>
Deferred outflows of resources	782,887	-	-	-	782,887
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 126,793,870</b>	<b>\$ 159,197</b>	<b>\$ 48,360</b>	<b>\$ -</b>	<b>\$ 127,001,427</b>

<i>Liabilities and Net Position</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Eliminations	Total
Current liabilities:					
Current maturities of long-term liabilities:					
Bonds payable	\$ 1,390,000	\$ -	\$ -	\$ -	\$ 1,390,000
Capital lease obligation	1,007,957	-	-	-	1,007,957
Line of credit	-	-	-	-	-
Accounts payable	1,521,678	-	-	-	1,521,678
Accrued interest and sales tax	261,509	-	-	-	261,509
Accrued payroll and related liabilities	5,289,388	-	-	-	5,289,388
Estimated third-party payor settlements	3,496,996	-	-	-	3,496,996
<b>Total current liabilities</b>	<b>12,967,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,967,528</b>
Long-term liabilities:					
Bonds payable	47,997,149	-	-	-	47,997,149
Accreted interest	8,213,924	-	-	-	8,213,924
Capital lease obligation	1,090,103	-	-	-	1,090,103
Net pension liability	18,601,120	-	-	-	18,601,120
<b>Total long-term liabilities</b>	<b>75,902,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,902,296</b>
<b>Total liabilities</b>	<b>88,869,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,869,824</b>
Deferred inflows of resources	1,634,407	-	-	-	1,634,407
Net position:					
Net investment in capital assets	35,377,830	-	-	-	35,377,830
Restricted for debt service	3,280,754	-	-	-	3,280,754
Restricted for programs	17,679	-	48,360	-	66,039
Unrestricted	(2,386,624)	159,197	-	-	(2,227,427)
<b>Total net position</b>	<b>36,289,639</b>	<b>159,197</b>	<b>48,360</b>	<b>-</b>	<b>36,497,196</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 126,793,870</b>	<b>\$ 159,197</b>	<b>\$ 48,360</b>	<b>\$ -</b>	<b>\$ 127,001,427</b>

# Northern Inyo Healthcare District

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

Year Ended June 30, 2014, Auxiliary Year Ended May 31, 2014

<i>Assets</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 1,172,321	\$ 120,504	\$ 49,447	\$ -	\$ 1,342,272
Current portion of assets limited as to use	1,240,000	-	-	-	1,240,000
Receivables:					
Patient - Net	11,224,470	-	-	-	11,224,470
Other	11,069	-	-	-	11,069
Inventory	2,793,677	-	-	-	2,793,677
Prepaid expenses and deposits	1,223,052	-	-	-	1,223,052
<b>Total current assets</b>	<b>17,664,589</b>	<b>120,504</b>	<b>49,447</b>	<b>-</b>	<b>17,834,540</b>
Other assets:					
Noncurrent assets limited as to use	15,013,573	38,709	-	-	15,052,282
Investment in PMA	464,019	-	-	-	464,019
Goodwill in PMA	581,219	-	-	-	581,219
<b>Total other assets</b>	<b>16,058,811</b>	<b>38,709</b>	<b>-</b>	<b>-</b>	<b>16,097,520</b>
Capital assets:					
Nondepreciable capital assets	1,087,351	-	-	-	1,087,351
Depreciable capital assets - Net	88,953,577	-	-	-	88,953,577
<b>Capital assets - Net</b>	<b>90,040,928</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,040,928</b>
<b>TOTAL ASSETS</b>	<b>\$ 123,764,328</b>	<b>\$ 159,213</b>	<b>\$ 49,447</b>	<b>\$ -</b>	<b>\$ 123,972,988</b>

<i>Liabilities and Net Position</i>	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Eliminations	Total
Current liabilities:					
Current maturities of long-term liabilities:					
Bonds payable	\$ 1,240,000	\$ -	\$ -	\$ -	\$ 1,240,000
Capital lease obligation	961,992	-	-	-	961,992
Line of credit	299,988	-	-	-	299,988
Accounts payable	1,647,428	-	-	-	1,647,428
Accrued interest and sales tax	265,106	-	-	-	265,106
Accrued payroll and related liabilities	4,563,834	-	-	-	4,563,834
Estimated third-party payor settlements	1,372,657	-	-	-	1,372,657
<b>Total current liabilities</b>	<b>10,351,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,351,005</b>
Long-term liabilities:					
Bonds payable	49,454,313	-	-	-	49,454,313
Accreted interest	6,887,339	-	-	-	6,887,339
Capital lease obligation	2,098,060	-	-	-	2,098,060
<b>Total long-term liabilities</b>	<b>58,439,712</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,439,712</b>
<b>Total liabilities</b>	<b>68,790,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,790,717</b>
Net position:					
Net investment in capital assets	36,025,861	-	-	-	36,025,861
Restricted for debt service	3,193,718	-	-	-	3,193,718
Restricted for programs	25,123	38,709	49,447	-	113,279
Unrestricted	15,728,909	120,504	-	-	15,849,413
<b>Total net position</b>	<b>54,973,611</b>	<b>159,213</b>	<b>49,447</b>	<b>-</b>	<b>55,182,271</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 123,764,328</b>	<b>\$ 159,213</b>	<b>\$ 49,447</b>	<b>\$ -</b>	<b>\$ 123,972,988</b>

# Northern Inyo Healthcare District

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

Year Ended June 30, 2015, Auxiliary Year Ended May 31, 2015

	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Eliminations	Total
Revenue:					
Net patient service revenue	\$ 70,694,160	\$ -	\$ -	\$ -	\$ 70,694,160
Other operating revenue	1,015,016	-	14,376	-	1,029,392
Total revenue	71,709,176	-	14,376	-	71,723,552
Expenses:					
Salaries and wages	21,591,747	-	-	-	21,591,747
Employee benefits	16,799,660	-	-	-	16,799,660
Professional fees	6,706,810	595	-	-	6,707,405
Supplies	7,073,688	440	-	-	7,074,128
Purchased services	3,720,516	-	-	-	3,720,516
Depreciation	4,955,527	-	-	-	4,955,527
Other operating expense	3,756,638	2,486	-	-	3,759,124
Total expenses	64,604,586	3,521	-	-	64,608,107
Income from operations	7,104,590	(3,521)	14,376	-	7,115,445
Nonoperating revenue (expenses):					
Tax revenue for operations	520,257	-	-	-	520,257
Tax revenue for debt services	1,376,890	-	-	-	1,376,890
Interest income	155,746	3	-	-	155,749
Interest expense	(3,529,802)	-	-	-	(3,529,802)
Loss on sale of asset	(94,603)	-	-	-	(94,603)
Noncapital grants and contributions	244,905	3,502	3,000	-	251,407
Medical office building, net	(4,695,700)	-	-	-	(4,695,700)
Total nonoperating revenue (expenses)	(6,022,307)	3,505	3,000	-	(6,015,802)
Excess of revenue over expenses	1,082,283	(16)	17,376	-	1,099,643
Capital grants and contributions	71,501	-	(18,463)	-	53,038
Increase (decrease) in net position	1,153,784	(16)	(1,087)	-	1,152,681
Net position at beginning, as previously stated	54,973,611	159,213	49,447	-	55,182,271
Cumulative effect for change in accounting principle	(19,837,756)	-	-	-	(19,837,756)
Net position at beginning, restated	35,135,855	159,213	49,447	-	35,344,515
Net position at end	\$ 36,289,639	\$ 159,197	\$ 48,360	\$ -	\$ 36,497,196

# Northern Inyo Healthcare District

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

Year Ended June 30, 2014, Auxiliary Year Ended May 31, 2014

	Inyo Hospital	Hospital Foundation	Hospital Auxiliary	Eliminations	Total
Revenue:					
Net patient service revenue	\$ 69,247,976	\$ -	\$ -	\$ -	\$ 69,247,976
Other operating revenue	1,100,363	-	11,183	-	1,111,546
Total revenue	70,348,339	-	11,183	-	70,359,522
Expenses:					
Salaries and wages	21,750,463	-	-	-	21,750,463
Employee benefits	14,523,265	-	-	-	14,523,265
Professional fees	7,283,755	1,285	-	-	7,285,040
Supplies	6,948,168	47	-	-	6,948,215
Purchased services	3,634,963	-	-	-	3,634,963
Depreciation	5,197,825	-	-	-	5,197,825
Other operating expense	3,947,951	3,501	-	-	3,951,452
Total expenses	63,286,390	4,833	-	-	63,291,223
Income from operations	7,061,949	(4,833)	11,183	-	7,068,299
Nonoperating revenue (expenses):					
Tax revenue for operations	564,643	-	-	-	564,643
Tax revenue for debt services	1,306,715	-	-	-	1,306,715
Interest income	135,084	3	-	-	135,087
Interest expense	(3,626,175)	-	-	-	(3,626,175)
Loss on sale of asset	(55,006)	-	-	-	(55,006)
Noncapital grants and contributions	207,216	7,338	3,351	-	217,905
Medical office building, net	(4,536,814)	-	-	-	(4,536,814)
Total nonoperating revenue (expenses)	(6,004,337)	7,341	3,351	-	(5,993,645)
Excess of revenue over expenses	1,057,612	2,508	14,534	-	1,074,654
Capital grants and contributions	145,865	-	(14,653)	-	131,212
Increase (decrease) in net position	1,203,477	2,508	(119)	-	1,205,866
Net position at beginning as restated	53,770,134	156,705	49,566	-	53,976,405
Net position at end	\$ 54,973,611	\$ 159,213	\$ 49,447	\$ -	\$ 55,182,271

# Northern Inyo Healthcare District

## Statistical Information

Year Ended June 30, 2015

### Bed Complement

	2015	2014	2013
Medical/ Surgical	11	11	11
Prematal/Obstetrics	6	6	6
Pediatric	4	4	4
Intesive Care	4	4	4
<b>Total licensed bed capacity</b>	<b>25</b>	<b>25</b>	<b>25</b>

### Utilization

	2015	2014	2013	2012	2011	2010
Licensed beds	25	25	25	25	25	25
Patient days	3,804	3,070	2,737	2,735	2,987	3,437
Discharges	1,069	1,145	1,031	1,036	1,049	1,181
Occupancy	42%	34%	25%	26%	29%	33%
Average stay (days)	3.3	2.7	2.8	3.0	3.0	3.1
Emergency room visits	7,948	8,191	8,658	7,898	7,852	7,863
Outpatient visits	37,684	38,545	37,368	38,822	42,270	39,530

### Medical Staff

	2015	2014	2013
Active	36	36	37
Consulting	30	30	27
Honorary	9	9	7
AHP	8	6	5
<b>Total practitioners</b>	<b>83</b>	<b>81</b>	<b>76</b>

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**Employees**

	2015	2014	2013
Full-time	290	273	284
Part-time and per diem	105	116	106
<b>Total employees</b>	<b>395</b>	<b>389</b>	<b>390</b>
Full-time equivalents	298.00	321.37	297.51

**Bond Debt Service Coverage**

	2015	2014*	2013	2012	2011	2010
Excess of revenue over expenses	\$ 815	\$ 1,075	\$ 625	\$ 1,980	\$ 4,827	\$ 3,174
Add:						
Depreciation and amortization expenses	4,956	5,274	3,523	2,917	2,724	2,697
Interest expense	3,530	3,626	3,731	1,401	1,261	1,301
<b>Available to meet debt service</b>	<b>\$ 9,301</b>	<b>\$ 9,975</b>	<b>\$ 7,879</b>	<b>\$ 6,298</b>	<b>\$ 8,812</b>	<b>\$ 7,172</b>
Actual debt service:						
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34
1998 Revenue bonds	-	-	-	563	564	565
2005 General obligation bonds	899	884	884	866	858	933
2009 General obligation bonds	487	423	423	467	309	316
2010 Revenue bonds	1,178	1,182	1,182	1,179	1,181	-
2013 Revenue bonds	788	778	804	-	-	-
	<b>\$ 3,352</b>	<b>\$ 3,267</b>	<b>\$ 3,293</b>	<b>\$ 3,075</b>	<b>\$ 2,912</b>	<b>\$ 1,848</b>
<b>Historical debt service coverage ratio</b>	<b>2.77</b>	<b>3.05</b>	<b>2.39</b>	<b>2.05</b>	<b>3.03</b>	<b>3.88</b>

\* 2014 restated, see Note 20.