



*Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information*

Sierra View Local Health Care District

June 30, 2019 and 2018



Table of Contents

MANAGEMENT’S DISCUSSION AND ANALYSIS.....	1
REPORT OF INDEPENDENT AUDITORS.....	8
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018	
Consolidated Statements of Net Position	11
Consolidated Statements of Revenues, Expenses, and Changes in Net Position	12
Consolidated Statements of Cash Flows.....	13
Notes to Consolidated Financial Statements.....	15
SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018	
Consolidating Statements of Net Position	35
Consolidating Statements of Revenues, Expenses, and Changes in Net Position	37

Management's Discussion and Analysis

Sierra View Local Health Care District

Management's Discussion and Analysis

For the Years Ended June 30, 2019, 2018, and 2017

Sierra View Local Health Care District (the "District") is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District includes the following component units, which are included as blended component units of the District's consolidated financial statements: Sierra View Medical Center (the "Hospital") and Sierra View District Hospital Foundation (the "Foundation"). The District is the sole corporate member of the Hospital and is the sole voting member of the Foundation and has certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws.

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the years ended June 30, 2019, 2018, and 2017. Please read this in conjunction with the District's consolidated financial statements and accompanying notes, which begin on page 11.

Financial Highlights for Fiscal Year 2019

- The District's increase in net position was \$11.1 million for 2019 as compared to \$1.3 million for 2018.
- The District's income from operations for fiscal year 2019 was \$5.1 million as compared to \$1.6 million for 2018.
- Nonoperating revenues (expenses) were \$6.0 million in fiscal year 2019 as compared to \$(235,000) for 2018.
- In 2019, the District received net payments of \$10.4 million by way of the California Hospital Fee Program. In 2018, these payments totaled \$7.0 million.

The District's consolidated financial statements consist of the following: consolidated statements of net position; consolidated statement of revenues, expenses, and changes in net position; and consolidated statement of cash flows. These consolidated financial statements and accompanying notes provide information about the operations of the District as of and for the fiscal years ended June 30, 2019 and 2018.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the District's resources and its operations in a way that helps answer this question. These two statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position (the difference between assets and liabilities) as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of quality of service it provides to the community, as well as local economic factors, in order to assess the overall financial health of the District.

Sierra View Local Health Care District
Management's Discussion and Analysis
For the Years Ended June 30, 2019, 2018, and 2017

The Statement of Cash Flows

The final required financial statement is the statements of cash flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities. It provides answers to questions such as "where did the cash come from," "what was cash used for," or "what was the change in cash balance during the reporting period?"

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the consolidated statements of net position found on page 11. The District's net position changed by \$11.1 million for 2019 as compared to \$1.3 million for 2018, as presented in the following table (amounts are in thousands):

	As of June 30,		
	2019	2018	2017
Current assets	\$ 67,034	\$ 58,655	\$ 59,495
Capital assets	101,127	107,723	109,136
Restricted and other assets	159,155	152,068	152,819
Total assets	327,316	318,446	321,450
Deferred outflows of resources	2,769	3,021	3,273
Current liabilities	28,058	25,501	24,228
Long-term liabilities	40,317	45,417	51,280
Total liabilities	68,375	70,918	75,508
Net investment in capital assets	74,955	75,333	71,253
Restricted - expendable	9,418	9,229	9,098
Restricted - nonexpendable	462	462	462
Unrestricted	176,874	165,525	168,402
Total net position	\$ 261,710	\$ 250,549	\$ 249,215

Sierra View Local Health Care District

Management's Discussion and Analysis

For the Years Ended June 30, 2019, 2018, and 2017

Operating Results and Changes in the District's Net Position

During 2019, the District's net position increased by \$11.1 million as compared to \$1.3 million in 2018, as presented in the following table (amounts are shown in thousands). These increases are comprised of operating and nonoperating components and represent the total change in net position of the District. The largest single difference between 2019 and 2018 is the increase in salaries, wages, and benefits due to increased staffing, merit increases, and the impact of California's minimum wage increase.

	Fiscal Years Ended June 30,		
	2019	2018	2017
Operating revenues			
Net patient service revenues	\$ 147,412	\$ 138,328	\$ 133,030
Other operating revenues	7,607	9,611	6,701
Total operating revenues	155,019	147,939	139,731
Operating expenses			
Salaries, wages, and benefits	77,720	77,706	73,020
Professional fees	16,528	13,804	13,319
Supplies	24,933	24,167	21,857
Depreciation	11,475	11,434	11,091
Other operating expenses	19,236	19,259	19,088
Total operating expenses	149,892	146,370	138,375
Total operating income	5,127	1,569	1,356
Nonoperating revenue (expenses)			
District tax revenues	1,249	1,185	1,106
Investment income	3,250	3,183	2,881
Interest expense	(1,532)	(1,733)	(1,916)
Other nonoperating items	3,067	(2,870)	(2,305)
Total nonoperating revenues (expenses)	6,034	(235)	(234)
Increase in net position	\$ 11,161	\$ 1,333	\$ 1,122

Operating Gains

The primary component of the overall change in the District's net position is its total income from operations, generally the difference between net patient service revenues and the expenses incurred to perform those services. Total income from operations in 2019 was \$5.1 million as compared to \$1.6 million in 2018.

These changes in the District's operations are attributable to:

- An increase in net patient service revenues of \$9.1 million (6.6%) in 2019 due to increased inpatient volumes. The Hospital did not implement a charge increase in 2019.
- A decrease in other operating revenues of \$2.0 million (20.9%) in 2019.

Sierra View Local Health Care District
Management's Discussion and Analysis
For the Years Ended June 30, 2019, 2018, and 2017

- An increase in operating expenses of \$3.5 million (2.4%) in 2019 primarily due to increased physician professional fees and surgical supplies.
- Net patient service revenues increased in 2019 due to a combination of changes in volumes and changes in payor mix. Adult patient census days increased to 23,698 from 21,317 in 2018. Total outpatient visits declined by 8% in 2019 as compared to 2018 primarily due to the divestiture of the District's outpatient dialysis service. Outpatient charges decreased to \$374 million in 2019 from \$393 million in 2018 and as a percentage of total charges, outpatient charges decreased to 56% of the total in 2019 from 61% in 2018.

Employee salaries, wages, and benefits were \$77.7 million in 2019 and \$77.7 million in 2018. The components of these costs are as follows:

- Salaries and wages, including paid time off ("PTO"), totaled \$62.7 million in 2019 and \$61.8 million in 2018. Staffing, as measured by paid full-time equivalents ("FTE"s), was 915 in 2019 and 905 in 2018.
- Benefits totaled \$15.1 million in 2019 and \$15.9 million in 2018.
- Salaries and wages, including PTO, per paid FTE were \$68,517 in 2019 and \$68,240 in 2018. Adjusting for the 2018 bonuses, salaries and wages were \$68,150 per paid FTE in 2018.

Other changes were as follows:

- There was an increase of \$2.7 million (19.7%) in professional fees. This was due to increases in physician fees and agency and traveler registered nurses.
- There was a \$767,000 (3.2%) increase in supplies primarily due to an increase in non-medical and surgical supply costs.
- There was an increase of \$41,000 (0.4%) in depreciation expense due mainly to projects coming on line out of construction in progress offset by capital assets reaching the end of their estimated useful lives.
- Other expense category changes (interest expense, repairs and maintenance, utilities, building and equipment rent, insurance, and other) decreased by \$340,000 (8.5%).

Nonoperating Revenues and Expenses

Nonoperating revenues consist of property taxes paid to the District, investment income, unrealized gains and losses, interest expense, and other various types of items not specifically related to the operations of patient care.

The District's Cash Flows

Changes in the District's cash flows are consistent with the operating income and nonoperating revenues and expenses discussed earlier.

Sierra View Local Health Care District

Management's Discussion and Analysis

For the Years Ended June 30, 2019, 2018, and 2017

Capital Assets

At the end of 2018, the District had \$107.7 million in capital assets, net of depreciation, as detailed in the footnotes to the financial statements. At the end of 2019, the District had \$101.1 million invested in capital assets, net of depreciation. In 2019, the District improved facilities and acquired new equipment for a total net investment of \$5.2 million, net of disposals, as compared to \$10.0 million in 2018.

Debt Borrowings

At the end of 2019, the District has \$44.1 million in long-term debt borrowings outstanding including current maturities. At the end of 2018, the District had \$49.7 million in long-term debt borrowings outstanding including current maturities.

On September 26, 2019, the District issued \$30.5 million in revenue bonds to fund various capital projects. The bonds will mature in varying amounts beginning July 1, 2020 through July 1, 2034, with maximum annual debt service of \$2.7 million.

Other Economic Factors

The District is located in southeast Tulare County, California, which is highly dependent on agriculture for employment. As such, the unemployment rate in Tulare County is approximately 30% higher than California as a whole. This situation has been the norm for several years and is not expected to improve over the next few years. The District will, therefore, continue to see a high utilization of Medi-Cal (Medicaid) and uninsured patients.

The State of California continues to experience fiscal difficulties. As a result, the District will continue to see pressure placed on its Medi-Cal reimbursement for the foreseeable future.

The District's Board of Directors approved the fiscal year 2020 budget at its July 9, 2019 meeting. For fiscal year 2020, the District is budgeted to increase its net position by \$8.4 million. The increase is due to the following assumptions:

- Inpatient volumes are budgeted to decrease 3% over 2019 volumes.
- Outpatient volumes are projected to decrease 2%.
- Operating gain of 2.2%.
- A substantial portion of outpatient dialysis services were divested as of November 2019. These services had a high rate of contractual allowances. It is expected that the absence of these services will reduce the overall rate of contractual allowances in fiscal 2020.
- Overall operating costs will be reduced due to initiatives aimed at reducing operating expenses.

Sierra View Local Health Care District

Management's Discussion and Analysis

For the Years Ended June 30, 2019, 2018, and 2017

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

Moreover, different Government Agents frequently interpret government regulations and other requirements differently. For example, Government Agents might disagree on a patient's principal medical diagnosis, the appropriate code for a clinical procedure, or many other matters. Such disagreements might have a significant effect on the ultimate payout due from the government to fully recoup sums already paid. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medi-Cal revenues, the District estimates the amount of revenue that will ultimately be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary significantly from these estimates.

Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 established one-time incentive payments under the Medicare and Medi-Cal programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology. A hospital may receive an incentive payment for up to four years, from 2011 through 2015, by meeting a series of objectives that make use of EHR's potential related to the improvement of quality, efficiency, and patient safety. Meaningful use is assessed on a year-by-year basis and requires attestation by the facility that the criteria have been satisfied. In 2019, the District received no meaningful use funds and in 2018 the District received no meaningful use funds.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the District, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events, or developments that the District expects or anticipates will or may occur in the future, contain forward-looking information.

Sierra View Local Health Care District
Management's Discussion and Analysis
For the Years Ended June 30, 2019, 2018, and 2017

Statistical Analysis

	2019	2018	2017
Census			
Adult patient days	23,698	21,317	20,617
Adult discharges	6,182	5,581	5,540
Average length of stay	3.83	3.82	3.72
Utilization			
Skilled nursing facility ("SNF") patient days	972	1,131	1,214
Sub-acute patient days	11,376	11,522	11,432
Emergency room visits	40,443	45,738	47,260
Urgent Care Center Visits	9,361	11,116	3,205
Intensity of service indicator			
Case mix index (Medicare)	1.5168	1.4855	1.4744
Case mix index (Overall)	1.2848	1.1879	1.2108
Efficiency indicators			
Full-time equivalents (FTE)	914.54	905.31	869.13
Productive FTEs	784.47	779.91	744.24
FTEs per adjusted occupied bed	4.96	4.67	4.86

Report of Independent Auditors

The Board of Directors
Sierra View Local Health Care District

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sierra View Local Health Care District (the "District"), which comprise the consolidated statements of net position as of June 30, 2019 and 2018, and the related consolidated statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net position of Sierra View Local Health Care District as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management's Discussion and Analysis on pages 1 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational economic or historical context. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the consolidated 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the District's consolidated financial statements. The consolidating statements of net position and consolidating statements of revenues, expenses, and changes in net position, on pages 35 through 38, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements of net position and consolidating statements of revenues, expenses, and changes in net position are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Stockton, California

October 23, 2019

Consolidated Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

Sierra View Local Health Care District
Consolidated Statements of Net Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 34,276,555	\$ 22,463,256
Short-term investments and restricted funds	2,368,198	1,163,315
Patient accounts receivable, net of allowances for doubtful accounts of \$23,586,406 and \$21,187,665, in 2019 and 2018, respectively	23,943,935	27,419,538
Other receivables	1,430,196	2,930,244
Inventories	3,300,820	3,277,895
Prepaid expenses and deposits	1,714,761	1,400,579
Total current assets	67,034,465	58,654,827
Long-term investments and restricted funds	156,587,984	149,957,046
Investment in securities	2,315,603	2,111,804
Other assets	250,000	-
Capital assets		
Nondepreciable	14,260,171	12,294,864
Depreciable, net of accumulated depreciation	86,867,252	95,428,565
Total capital assets	101,127,423	107,723,429
Total assets	\$ 327,315,475	\$ 318,447,106
DEFERRED OUTFLOWS OF RESOURCES		
Advance refunding of bonds payable, net	\$ 2,769,309	\$ 3,021,064
Total deferred outflows of resources	\$ 2,769,309	\$ 3,021,064
LIABILITIES		
Current liabilities		
Bond interest payable	\$ 759,197	\$ 845,315
Current maturities of bonds payable	4,976,410	4,801,173
Current maturities of notes payable	-	864,818
Accounts payable and accrued expenses	7,932,815	6,625,259
Accrued payroll and related costs	7,222,397	6,610,685
Estimated third-party payor settlements	7,167,000	5,753,989
Total current liabilities	28,057,819	25,501,239
Self-insurance reserves	1,227,350	1,352,041
Bonds payable, less current requirement	39,089,602	44,066,012
Total liabilities	\$ 68,374,771	\$ 70,919,292
NET POSITION		
Net investment in capital assets	\$ 74,955,472	\$ 75,332,792
Restricted - expendable	9,417,893	9,228,882
Restricted - nonexpendable	462,448	462,448
Unrestricted	176,874,200	165,524,756
Total net position	\$ 261,710,013	\$ 250,548,878

Sierra View Local Health Care District
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$4,168,147 and \$2,755,033, in 2019 and 2018, respectively	\$ 147,411,850	\$ 138,327,639
Other operating revenue	<u>7,607,198</u>	<u>9,611,273</u>
Total operating revenues	<u>155,019,048</u>	<u>147,938,912</u>
Operating expenses		
Salaries and wages	62,661,253	61,778,523
Supplies	24,933,406	24,166,617
Professional fees	16,527,606	13,803,623
Employee benefits	15,058,985	15,927,466
Depreciation	11,474,812	11,434,118
Purchased services	9,406,114	8,685,668
Other operating expenses	3,641,191	3,981,117
Repairs and maintenance	2,630,736	2,626,852
Utilities	2,032,459	2,094,998
Insurance	848,395	1,061,763
Building and equipment rent	<u>677,067</u>	<u>809,553</u>
Total operating expenses	<u>149,892,024</u>	<u>146,370,298</u>
Income from operations	<u>5,127,024</u>	<u>1,568,614</u>
Nonoperating revenues (expenses)		
District tax revenues	1,248,547	1,184,652
Investment income	3,249,628	3,183,219
Net increase (decrease) in the fair value of investments	3,042,355	(3,034,429)
Interest expense	(1,531,790)	(1,732,519)
Other nonoperating expenses	(605,838)	(699,740)
Other nonoperating income	567,217	478,085
Noncapital grants and contributions	<u>63,992</u>	<u>385,474</u>
Total nonoperating revenues (expenses)	<u>6,034,111</u>	<u>(235,258)</u>
Increase in net position	11,161,135	1,333,356
Net position, beginning of year	<u>250,548,878</u>	<u>249,215,522</u>
Net position, end of year	<u><u>\$ 261,710,013</u></u>	<u><u>\$ 250,548,878</u></u>

Sierra View Local Health Care District
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 152,300,464	\$ 132,545,026
Cash received from other sources	7,712,896	9,611,418
Cash paid to suppliers for goods and services	(59,474,770)	(57,455,398)
Cash paid to employees for services	(75,733,169)	(75,767,123)
Net cash provided by operating activities	<u>24,805,421</u>	<u>8,933,923</u>
Cash flows from noncapital financing activities		
District tax revenues	1,248,547	1,184,652
Noncapital grants and contributions, net of other expenses	25,371	163,819
Net cash provided by noncapital financing activities	<u>1,273,918</u>	<u>1,348,471</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(5,234,504)	(10,021,432)
Payments on bonds	(4,801,173)	(4,643,061)
Payments on notes payable	(864,818)	(1,298,439)
Interest payments on debt	(1,617,908)	(1,813,315)
Net cash used in capital and related financing activities	<u>(12,518,403)</u>	<u>(17,776,247)</u>
Cash flows from investing activities		
Purchase of investments	(86,170,078)	(86,070,044)
Sale of investments	81,172,813	89,217,877
Investment income	3,249,628	3,183,219
Net cash (used in) provided by investing activities	<u>(1,747,637)</u>	<u>6,331,052</u>
Net change in cash and cash equivalents	11,813,299	(1,162,801)
Cash and equivalents, beginning of year	<u>22,463,256</u>	<u>23,626,057</u>
Cash and equivalents, end of year	<u><u>\$ 34,276,555</u></u>	<u><u>\$ 22,463,256</u></u>

Sierra View Local Health Care District
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of income from operations to net cash from operating activities		
Income from operations	<u>\$ 5,127,024</u>	<u>\$ 1,568,614</u>
Adjustments to reconcile operating income to net cash from operating activities		
Loss on disposal of capital assets	355,698	145
Depreciation	11,474,812	11,434,118
Provision for bad debts	4,168,147	2,755,033
Change in assets and liabilities		
Patient accounts receivable	(692,544)	(9,054,635)
Other receivables	1,500,048	776,761
Inventories	(22,925)	(311,351)
Prepaid expenses and deposits	(314,182)	79,465
Other assets	(250,000)	-
Advance refunding of bonds payable	251,755	251,756
Accounts payable and accrued expenses	1,307,556	(245,077)
Accrued payroll and related costs	611,712	1,357,380
Estimated third-party payor settlements	1,413,011	516,989
Self-insurance reserves	<u>(124,691)</u>	<u>(195,275)</u>
Total adjustments	<u>19,678,397</u>	<u>7,365,309</u>
Net cash provided by operating activities	<u><u>\$ 24,805,421</u></u>	<u><u>\$ 8,933,923</u></u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Reporting entity – Sierra View Local Health Care District (the “District”) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the district to specified terms of office.

The District includes the following component units, which are included as blended component units of the District’s consolidated financial statements: Sierra View Medical Center (the “Hospital”) and Sierra View District Hospital Foundation (the “Foundation”). The District is the sole corporate member of the Hospital and the sole voting member of the Foundation and has certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws.

The District is located in Porterville, California, and operates a 132-bed acute care facility, 35-bed long-term care facility, several outpatient clinics, and provides other patient services. The District provides health care services primarily to individuals who reside in the local geographic area.

The Foundation is a California nonprofit corporation exempt from federal and state income tax. The Foundation is organized for the purpose of soliciting tax-exempt funds for the support of the Hospital. The Foundation is considered a component unit of the District.

Basis of preparation – The consolidated financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (“GASB”). The proprietary fund method of accounting is followed and uses the economic resources measurement focus and the accrual basis of accounting. In addition, these statements follow generally accepted accounting principles applicable to the health care industry, which are included in the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Health Care Entities*, to the extent that these principles do not contradict GASB standards.

Accounting standards – Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) Pronouncements*, the District’s proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989, and the California Code of Regulations, Title 2, Section 1131, State Controller’s *Minimum Audit Requirements* for California Special Districts and the State Controller’s Office prescribed reporting guidelines.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Major items requiring estimates and assumptions include net patient service revenue, allowance for contractual and doubtful accounts receivable, third-party payor settlements, uninsured losses for medical malpractice liabilities, liabilities for worker’s compensation claims, useful lives of capital assets, and valuation of financial instruments. Actual results could differ from those estimates.

Sierra View Local Health Care District Notes to Consolidated Financial Statements

Cash and cash equivalents and investments – The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments that are intended to be continuously invested. Investments in debt securities are reported at fair value. Interest, dividends, and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues (expenses) when earned.

Investments, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the consolidated statements of net position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) are included in the increase in unrestricted net position unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the increase in net position and reported in the accompanying consolidated statements of revenues, expenses, and changes in net position. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest, and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Restricted funds – Assets limited as to use include amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits with local banking and investment institutions and bond trustees.

Patient accounts receivable – Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies, and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectability, and providing for allowances in its accounting records for estimated contractual adjustments and doubtful accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories – Inventories are consistently reported from year to year at cost, determined by average costs and replacement values that are not in excess of market. The District does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Capital assets – Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. All purchased capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Construction-in-progress includes capitalized interest costs of related borrowings, net of interest earned on unspent proceeds of the related borrowings. It is the policy of the District to capitalize equipment costing more than \$5,000. Costs of assets sold or retired are removed from the accounts in the year of sale or retirement, with any gain or loss included in the consolidated financial statements.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

The District periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. There were no impairment losses in 2019 and 2018, respectively.

Depreciation of capital assets and amortization of capital assets under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 15 years for equipment.

Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities, or extend useful lives are capitalized.

Compensated absences – The District's employees earn paid time off ("PTO") benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO either upon termination or retirement. Accrued PTO liabilities included in accrued payroll and related costs as of June 30, 2019 and 2018, were \$3,999,555 and \$3,941,021, respectively.

Sick leave – The District's employees earn sick leave benefits, accruing 3 days of sick leave on each 12-month period. Unused days do not carry over to the following year. Employees are not paid for unused sick leave upon termination or retirement.

Net position – The net position of the District is comprised of net investment in capital assets, restricted expendable, restricted nonexpendable, and unrestricted net positions.

Net investment in capital assets – Net investment in capital assets represents investments in all capital assets (land, construction in progress, land improvements, building and building improvements, and equipment), net of depreciation/amortization, less any debt issued to finance those capital assets.

Restricted - expendable – The restricted expendable net position is restricted through external constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors.

Restricted - nonexpendable – The restricted nonexpendable net position is equal to the principal portion of permanent endowments. The endowments remain intact, with unrestricted earnings on such funds available for use as expendable assets.

Unrestricted – Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets, restricted expendable, or restricted nonexpendable.

Statements of revenues, expenses, and changes in net position – All revenues and expenses directly related to the delivery of health care services are included in operating revenues and operating expenses in the consolidated statement of revenues, expenses, and changes in net position. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

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 adjusted in future periods as final settlements are determined. Delinquent patient accounts are recorded as bad debts and transferred for collection. Recoveries are recorded, net of recovery costs estimated, as an increase to net patient service revenue.

Charity care – The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The District accepts all patients regardless of their ability to pay. Partial payments to which the District is entitled from public assistance programs on behalf of patients that meet the District's charity care criteria are reported as patient service revenue. Charity care, which is excluded from recognition as receivables or revenue in the consolidated financial statements, is measured on the basis of uncompensated cost. The cost of charity care is determined by applying the District's Medicare cost to charge ratio to the gross charges that qualify for charity care under the District's policy. Charity care at cost was \$626,760 and \$429,037 for the years ended June 30, 2019 and 2018, respectively.

District tax revenues – The District receives approximately 0.8% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as nonoperating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Noncapital grants and contributions – From time to time, the District receives grants from various governmental agencies and private organizations. The District also receives contributions from related foundation organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the consolidated statements of revenues, expenses, and changes in net position.

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

Income taxes – The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. The Foundation is a California nonprofit corporation exempt from federal and state income tax as a 501(c) (3) organization.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

New accounting pronouncements – In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The adoption of GASB 84 is effective for the District beginning July 1, 2019. The District is currently assessing the impact of this standard on the District’s consolidated financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases* (“GASB 87”), which is effective for financial statements for periods beginning after December 15, 2019. GASB 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The adoption of GASB No. 87 is effective for the District beginning July 1 2020. The District is currently assessing the impact of this standard on the District’s consolidated financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”). Among other things, GASB 88 clarifies which liabilities governments should include in their note disclosures related to debt. GASB 88 requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. GASB 88 further defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement further requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The adoption of GASB 88 is effective for the District beginning July 1, 2019. The District is currently assessing the impact of this standard on the District’s consolidated financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (“GASB 89”). GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The adoption of GASB 89 is effective for the District beginning July 1, 2020. The District is currently assessing the impact of this standard on the District’s consolidated financial statements.

Sierra View Local Health Care District Notes to Consolidated Financial Statements

NOTE 2 – NET PATIENT SERVICE REVENUE

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

Medicare: Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are generally paid under an outpatient classification system subject to certain limitations. Certain reimbursement areas are still subject to final settlement that are determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2019, cost reports through June 30, 2016, have been audited or otherwise final settled.

Medi-Cal: Prior to July 1, 2013, inpatient acute care services rendered to Medi-Cal program beneficiaries were reimbursed under a cost reimbursement methodology; however, the District is also subject to per discharge limits. The District was paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. Per discharge limits for the District have been determined by Medi-Cal through June 30, 2011. Beginning on July 1, 2013, inpatient acute care services were rendered to Medi-Cal program beneficiaries under a diagnostic related group (“DRG”) methodology. Under this methodology, similar to Medicare, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing care services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medi-Cal program beneficiaries are reimbursed based on prospectively determined fee schedules. At June 30, 2019, cost reports through June 30, 2017, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare and Medi-Cal program beneficiaries are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations that provide for various discounts from established rates.

Net patient service revenue is comprised of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Daily hospital services	\$ 63,520,057	\$ 59,206,938
Inpatient ancillary services	230,021,604	188,531,559
Outpatient services	373,525,292	393,013,367
Gross patient service revenue	667,066,953	640,751,864
Less contractual allowances and provision for bad debts	(519,655,103)	(502,424,225)
Net patient service revenue	<u>\$ 147,411,850</u>	<u>\$ 138,327,639</u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

Gross patient service revenue before any provision for bad debts, summarized by payor, is as follows for the years ended June 30:

	2019	2018
Medicare	40%	43%
Medi-Cal	40%	39%
Commercial	17%	16%
Self-pay	1%	1%
Others	2%	1%
Total	100%	100%

Medicare and Medi-Cal revenue accounts for a large percentage of the District's gross patient revenues each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District has deposits held by various financial institutions in the form of operating cash and cash equivalents. All of these funds are held in deposits, which are collateralized in accordance with the California Government Code ("CGC"), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments and restricted funds and investments in securities consist of U.S. Government securities, certificate of deposits, money market, and corporate bonds and are stated at fair value. Changes in market value between years are reflected as a component of net decrease in the fair value of investments in the accompanying statement of revenues, expenses, and changes in net position. At June 30, 2019 and 2018, investments were as follows:

	2019	2018
Board designated funds 2015 Bond project fund	\$ 17,894,060	\$ 17,232,226
Funds held by trustee under bond indenture	9,123,847	8,818,550
Restricted funds	21,974	26,230
Unrestricted investments	134,231,904	127,155,159
Total investments	\$ 161,271,785	\$ 153,232,165

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

	2019	2018
Short-term investments and restricted funds	\$ 2,368,198	\$ 1,163,315
Long-term investments and restricted funds	156,587,984	149,957,046
Investment in securities	<u>2,315,603</u>	<u>2,111,804</u>
 Total investments	 <u><u>\$ 161,271,785</u></u>	 <u><u>\$ 153,232,165</u></u>

A summary of scheduled maturities by investment type at June 30, 2019 and 2018, were as follows:

2019				
Investment type	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10+
Federal agency securities	\$ 96,707,450	\$ -	\$ 96,707,450	\$ -
Corporate bonds	39,262,411	-	39,262,411	-
Certificate of deposit	11,376,612	-	11,376,612	-
Money market	<u>11,609,709</u>	<u>11,609,709</u>	<u>-</u>	<u>-</u>
 Total investments and restricted funds	<u>158,956,182</u>	<u>11,609,709</u>	<u>147,346,473</u>	<u>-</u>
 Corporate bonds	513,027	-	163,895	349,132
Money market	174,752	174,752	-	-
Mutual funds	767,575	767,575	-	-
Equities	<u>860,249</u>	<u>860,249</u>	<u>-</u>	<u>-</u>
 Total investments in securities	<u>2,315,603</u>	<u>1,802,576</u>	<u>163,895</u>	<u>349,132</u>
 Total investments	<u><u>\$ 161,271,785</u></u>	<u><u>\$ 13,412,285</u></u>	<u><u>\$ 147,510,368</u></u>	<u><u>\$ 349,132</u></u>

2018				
Investment type	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10+
Federal agency securities	\$ 85,474,700	\$ -	\$ 85,474,700	\$ -
Corporate bonds	46,570,907	-	46,570,907	-
Money market	<u>19,074,754</u>	<u>19,074,754</u>	<u>-</u>	<u>-</u>
 Total investments and restricted funds	<u>151,120,361</u>	<u>19,074,754</u>	<u>132,045,607</u>	<u>-</u>
 Corporate bonds	494,711	-	166,116	328,595
Money market	16,904	16,904	-	-
Mutual funds	571,698	571,698	-	-
Equities	<u>1,028,491</u>	<u>1,028,491</u>	<u>-</u>	<u>-</u>
 Total investments in securities	<u>2,111,804</u>	<u>1,617,093</u>	<u>166,116</u>	<u>328,595</u>
 Total investments	<u><u>\$ 153,232,165</u></u>	<u><u>\$ 20,691,847</u></u>	<u><u>\$ 132,211,723</u></u>	<u><u>\$ 328,595</u></u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

Required disclosures for the District's deposit and investment risks at June 30, 2019, were as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit	Several years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50,000,000
Tulare County Treasurer's Pooled Money Fund	5 years	None	None
U.S. Treasury Securities	5 years	None	None
Federal agency securities & Govt sponsored enterprises	N/A	None	None
Passbook savings or money market account	N/A	None	None
Mutual funds	N/A	20%	None
Medium-term corporate notes - AA rated	5 years	None	None

Investment activities of the District are governed by sections of the CGC, which specifies the authorized investments that may be made by the District. The District's investment policy (the "Policy") requires that all investing activities of the District comply with the CGC and also sets forth certain additional restrictions that exceed those imposed by the CGC. Investment activities of the Foundation are governed by the Internal Revenue Code; therefore, its investment activities are not subject to the same requirements as the District.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Credit risk and concentration of credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper to the rating of A1 by Standard & Poor's or P-1 by Moody's Investors Service and limits investments in corporate bonds to the rating of A by Standard and Poor's and Moody's Investors Service. Investments held with fiscal agents are further limited to the specific terms contained in the Trustee Agreements.

At June 30, 2019 and 2018, in accordance with State law, the District did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium term notes of a single organization, nor any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

Custodial credit risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the District had no custodial risks associated with its investments.

NOTE 4 – PATIENT ACCOUNTS RECEIVABLE

The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors, including individuals involved in diverse activities subject to differing economic conditions, and do not represent any concentrated credit risks to the District.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

Patient accounts receivable is comprised of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medi-Cal and Medi-Cal managed care	\$ 74,603,218	\$ 79,676,693
Other payors and self-pay	51,543,930	46,248,090
Medicare	<u>38,542,314</u>	<u>48,751,288</u>
Gross patient accounts receivable	164,689,462	174,676,071
Less allowances for contractual adjustments and bad debts	<u>(140,745,527)</u>	<u>(147,256,533)</u>
Net patient accounts receivable	<u>\$ 23,943,935</u>	<u>\$ 27,419,538</u>

Concentration of net patient accounts receivable as of June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Commercial	38%	32%
Medi-Cal	30%	35%
Medicare	27%	28%
Self-pay	3%	4%
Other payors	<u>2%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

NOTE 5 – CAPITAL ASSETS

The capital asset activity of the District for the years ended June 30, 2019 and 2018, were as follows:

	2019				Balance June 30, 2019
	Balance June 30, 2018	Increases	Decreases	Transfers	
Capital assets - nondepreciable					
Land	\$ 8,280,380	\$ 51,285	\$ -	\$ -	\$ 8,331,665
Construction in progress, net	4,014,484	4,872,636	-	(2,958,614)	5,928,506
	<u>12,294,864</u>	<u>4,923,921</u>	<u>-</u>	<u>(2,958,614)</u>	<u>14,260,171</u>
Capital assets - depreciable					
Land improvements	11,461,305	-	-	130,348	11,591,653
Building and improvements	137,442,376	289,184	(149,406)	504,511	138,086,665
Equipment	78,747,298	21,399	(1,447,883)	2,323,755	79,644,569
	<u>227,650,979</u>	<u>310,583</u>	<u>(1,597,289)</u>	<u>2,958,614</u>	<u>229,322,887</u>
Less accumulated depreciation for					
Land improvements	6,368,458	608,162	-	-	6,976,620
Buildings and improvements	71,478,483	4,078,396	(149,407)	-	75,407,472
Equipment	54,375,473	6,788,254	(1,092,184)	-	60,071,543
	<u>132,222,414</u>	<u>11,474,812</u>	<u>(1,241,591)</u>	<u>-</u>	<u>142,455,635</u>
Total capital assets - depreciable, net	<u>95,428,565</u>	<u>(11,164,229)</u>	<u>(355,698)</u>	<u>2,958,614</u>	<u>86,867,252</u>
Total capital assets, net	<u>\$ 107,723,429</u>	<u>\$ (6,240,308)</u>	<u>\$ (355,698)</u>	<u>\$ -</u>	<u>\$ 101,127,423</u>
	2018				Balance June 30, 2018
	Balance June 30, 2017	Increases	Decreases	Transfers	
Capital assets - nondepreciable					
Land	\$ 7,427,830	\$ 852,550	\$ -	\$ -	\$ 8,280,380
Construction in progress, net	8,784,660	9,108,410	-	(13,878,586)	4,014,484
	<u>16,212,490</u>	<u>9,960,960</u>	<u>-</u>	<u>(13,878,586)</u>	<u>12,294,864</u>
Capital assets - depreciable					
Land improvements	11,377,801	34,264	-	49,240	11,461,305
Building and improvements	134,778,435	5,000	-	2,658,941	137,442,376
Equipment	67,647,077	21,208	(91,392)	11,170,405	78,747,298
	<u>213,803,313</u>	<u>60,472</u>	<u>(91,392)</u>	<u>13,878,586</u>	<u>227,650,979</u>
Less accumulated depreciation for					
Land improvements	5,766,497	601,961	-	-	6,368,458
Buildings and improvements	67,426,252	4,052,231	-	-	71,478,483
Equipment	47,686,794	6,779,926	(91,247)	-	54,375,473
	<u>120,879,543</u>	<u>11,434,118</u>	<u>(91,247)</u>	<u>-</u>	<u>132,222,414</u>
Total capital assets - depreciable, net	<u>92,923,770</u>	<u>(11,373,646)</u>	<u>(145)</u>	<u>13,878,586</u>	<u>95,428,565</u>
Total capital assets, net	<u>\$ 109,136,260</u>	<u>\$ (1,412,686)</u>	<u>\$ (145)</u>	<u>\$ -</u>	<u>\$ 107,723,429</u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

NOTE 6 – BONDS AND NOTES PAYABLE

A summary of long-term liabilities as of June 30, 2019 and 2018, were as follows:

2019						
	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2019
Notes payable						
Bank of America Public Capital Corporation	4/27/2012	4/27/2019	1.77%	\$914,172	\$ 6,015,000	\$ -
Buckton Family Trust	7/15/2013	7/15/2018	4.00%	\$94,000 - \$109,000	510,000	-
Revenue bonds						
2010 Series	7/1/2010	7/1/2022	1.25% - 4.6%	\$85,000 - \$2,585,000	18,725,000	10,895,000
2015 Series	6/3/2015	7/1/2030	3.12%	\$2,023,754 - \$3,254,795	39,629,000	33,171,012
					<u>\$ 64,879,000</u>	<u>\$ 44,066,012</u>
2018						
	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2018
Notes payable						
Bank of America Public Capital Corporation	4/27/2012	4/27/2019	1.77%	\$914,172	\$ 6,015,000	\$ 755,679
Buckton Family Trust	7/15/2013	7/15/2018	4.00%	\$94,000 - \$109,000	510,000	109,139
Ruminson note payable	4/14/2017	4/14/2018	3.00%	\$300,000	300,000	-
Revenue bonds						
2010 Series	7/1/2010	7/1/2022	1.25% - 4.6%	\$85,000 - \$2,585,000	18,725,000	13,445,000
2015 Series	6/3/2015	7/1/2030	3.12%	\$2,023,754 - \$3,254,795	39,629,000	35,422,185
					<u>\$ 65,179,000</u>	<u>\$ 49,732,003</u>

The following tables summarize the District's debt transactions for the years ended June 30, 2019 and 2018:

2019					
	Balance June 30, 2018	Net Borrowings	Payments During Year	Balance June 30, 2019	Current Portion
2010 Series revenue bonds	\$ 13,445,000	\$ -	\$ (2,550,000)	\$ 10,895,000	\$ 2,655,000
2015 Series revenue bonds	35,422,185	-	(2,251,173)	33,171,012	2,321,410
Banc of America Public Capital Corporation	755,679	-	(755,679)	-	-
Buckton Family Trust	109,139	-	(109,139)	-	-
	<u>\$ 49,732,003</u>	<u>\$ -</u>	<u>\$ (5,665,991)</u>	<u>\$ 44,066,012</u>	<u>\$ 4,976,410</u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

			2018		
	Balance June 30, 2017	Net Borrowings	Payments During Year	Balance June 30, 2018	Current Portion
2010 Series revenue bonds	\$ 15,905,000	\$ -	\$ (2,460,000)	\$ 13,445,000	\$ 2,550,000
2015 Series revenue bonds	37,605,246	-	(2,183,061)	35,422,185	2,251,173
Banc of America Public Capital Corporation	1,647,932	-	(892,253)	755,679	755,679
Buckton Family Trust	215,325	-	(106,186)	109,139	109,139
Ruminson note payable	300,000	-	(300,000)	-	-
	<u>\$ 55,673,503</u>	<u>\$ -</u>	<u>\$ (5,941,500)</u>	<u>\$ 49,732,003</u>	<u>\$ 5,665,991</u>

As of June 30, 2019, the District's long-term debt requirements to maturity are as follows:

Years Ending June 30,	Revenue bonds		
	Principal	Interest	Total
2020	\$ 4,976,410	\$ 1,482,179	\$ 6,458,589
2021	5,158,838	1,295,784	6,454,622
2022	5,358,525	1,098,271	6,456,796
2023	5,130,543	890,001	6,020,544
2024 - 2028	13,969,762	2,594,034	16,563,796
2029 - 2031	9,471,934	449,338	9,921,272
	<u>\$ 44,066,012</u>	<u>\$ 7,809,607</u>	<u>\$ 51,875,619</u>

Revenues of the District are the primary source of repayment of the District's long-term liabilities.

Revenue Bonds, Series 2010 – In May 2010, the District issued \$18,725,000 of Sierra View Local Health Care District Refunding Revenue Bonds, Series 2010 ("Series 2010"), at rates ranging from 1.25% to 4.6%, to refund all of the outstanding Sierra View Local Health Care District Revenue Bond, Series 1998. Principal payments are due annually on July 1 and interest payments are due semi-annually on January 1, and July 1.

Revenue Bonds, Series 2015 – In June 2015, the District issued \$39,629,000 of Series 2015 Revenue Bonds, at a rate of 3.12%, to fund the all of the outstanding Series 2007 Revenue Bonds. Principal payments are due annually on July 1 and interest payments are due semi-annually on January 1 and July 1.

Notes payable – These represent equipment financing loans with Banc of America Public Capital Corporation, at a rate of 1.77%, to obtain (and reimburse for prior expenditures related to) medical equipment, electronic equipment, electronic health records software, and other projects. The liability is collateralized by certain equipment. These also include an installment note payable to the Buckton Family Trust, at a rate of 4.0%, to obtain two medical office buildings. This liability is collateralized by the Deed of Trust to Chicago Title Company. These also include an installment note payable to the Ruminson, at a rate of 3.0%, to obtain a medical office building. This liability is collateralized by the Deed of Trust to Chicago Title. The notes payable was paid in full during 2019.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

NOTE 7 – INSURANCE PLANS

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The District carries insurance for medical malpractice and general comprehensive liability, and workers' compensation claims.

Workers' compensation insurance – Under the California Workers' Compensation Insurance provisions, an entity can elect to pay the actual claims filed for worker's compensation benefits. The District chose to purchase claims made insurance policies with significant deductibles for these claims prior to July 1, 2014, and again this past fiscal year. The District plans to maintain the claims made insurance coverage by renewing its current policy. From July 1, 2014 through June 30, 2018, the District was fully insured for these claims with no deductible and a larger premium that was expensed monthly.

While the ultimate amount of workers' compensation liability is dependent on future developments, management is of the opinion that the associated liabilities recognized in the accompanying consolidated financial statements is adequate to cover such claims. The liability has not been discounted. Management is aware of no potential workers' compensation liability the settlement of which, if any, would have a material adverse effect on the District's net position for the years ended June 30, 2019 and 2018.

Medical malpractice insurance – The District maintains malpractice liability insurance coverage under various claims-made policies covering losses up to \$15 million per occurrence, with a per claim deductible of \$50,000. The District plans to maintain the claims-made insurance coverage by renewing its current policy, or by replacing it with equivalent insurance. An unfunded liability related to losses from claims incurred but not reported during the coverage period and unasserted claims, identified under the District's incident reporting system, has been accrued based on estimates. These estimates incorporate past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors.

Following is a summary of the changes in the workers' compensation and medical malpractice insurance liabilities for the years ended June 30, 2019 and 2018:

		2019		
		Balance, June 30, 2018	Increases	Decreases
				Balance, June 30, 2019
Workers' compensation	\$	1,152,041	\$ 130,000	\$ (254,691)
Medical malpractice		200,000	-	200,000
	\$	<u>1,352,041</u>	<u>\$ 130,000</u>	<u>\$ (254,691)</u>
				<u>\$ 1,227,350</u>
		2018		
		Balance, June 30, 2017	Increases	Decreases
				Balance, June 30, 2018
Workers' compensation	\$	1,347,316	\$ -	\$ (195,275)
Medical malpractice		200,000	-	200,000
	\$	<u>1,547,316</u>	<u>\$ -</u>	<u>\$ (195,275)</u>
				<u>\$ 1,352,041</u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

NOTE 8 – EMPLOYEES’ RETIREMENT PLANS

The District has defined contribution retirement plans covering substantially all of the District’s employees. The plans qualify under the Internal Revenue Code section 401(a). Contributions by the District are based on a percentage of the employee’s compensation base salary or wage for the year, subject to certain factors and limitations. The District contributed approximately \$3,286,012 and \$3,230,940 to the 401(a) plans for the years ended June 30, 2019 and 2018, respectively.

The District also offers its employees a deferred compensation plan (the “457 Plan”) created in accordance with Internal Revenue Code Section 457(b). The 457 Plan, available to substantially all District employees upon hire, permits them to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or certain emergency situations.

NOTE 9 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of net position or for which the fair value is disclosed in the notes to the consolidated financial statements, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2019 and 2018.

Cash – The carrying amount approximates fair value.

Investments – Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

Recurring measurements and disclosures – The following tables present the fair value measurements of financial assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis or disclosed at June 30, 2019 and 2018:

	2019	
	Carrying Amount	Fair Value Measurements Using Hierarchy
Financial assets		
Cash	\$ 34,276,555	\$ 34,276,555
Federal agency securities	\$ 96,707,450	\$ 96,707,450
Corporate bonds	\$ 39,775,438	\$ 39,775,438
Mutual security funds	\$ 767,575	\$ 767,575
Money market funds	\$ 11,784,461	\$ 11,784,461
Certificate of deposits	\$ 11,376,612	\$ 11,376,612
Equity securities	\$ 860,249	\$ 860,249

	2018	
	Carrying Amount	Fair Value Measurements Using Hierarchy
Financial assets		
Cash	\$ 22,463,256	\$ 22,463,256
Federal agency securities	\$ 85,474,700	\$ 85,474,700
Corporate bonds	\$ 47,065,618	\$ 47,065,618
Mutual security funds	\$ 571,698	\$ 571,698
Money market funds	\$ 19,091,658	\$ 19,091,658
Equity securities	\$ 1,028,491	\$ 1,028,491

Fair value of financial instruments – The following tables present the estimated fair values of the District's financial instruments and the level within the fair value hierarchy in which the fair measurements are reported at June 30, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Investments				
Federal agency securities	\$ 96,707,450	\$ -	\$ -	\$ 96,707,450
Corporate bonds	-	39,775,438	-	39,775,438
Mutual security funds	767,575	-	-	767,575
Certificate of deposit	11,376,612	-	-	11,376,612
Money market funds	11,784,461	-	-	11,784,461
Equity securities	860,249	-	-	860,249
	<u>\$ 121,496,347</u>	<u>\$ 39,775,438</u>	<u>\$ -</u>	<u>\$ 161,271,785</u>

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Federal agency securities	\$ 85,474,700	\$ -	\$ -	\$ 85,474,700
Corporate bonds	-	47,065,618	-	47,065,618
Mutual security funds	571,698	-	-	571,698
Money market funds	19,091,658	-	-	19,091,658
Equity securities	1,028,491	-	-	1,028,491
	<u>\$ 106,166,547</u>	<u>\$ 47,065,618</u>	<u>\$ -</u>	<u>\$ 153,232,165</u>

As required by GASB Statement No. 72, the investments are classified within the level of the lowest significant input considered in determining fair value.

There were no significant transfers between Levels 1, 2, and 3 in the current fiscal year.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Construction in progress – As of June 30, 2019 and 2018, the District had recorded \$5,928,506 and \$4,014,484 as construction in progress representing costs capitalized for various remodeling, major repair, and expansion projects on the District's premises. Estimated cost to complete all projects as of June 30, 2019, is approximately \$4.6 million.

Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the net position, results of operations, or liquidity of the District.

Regulatory environment – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. The District is subject to routine surveys and reviews by federal, state, and local regulatory authorities. The District has also received inquiries from health care regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and ongoing surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and noncompliance with corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Sierra View Local Health Care District Notes to Consolidated Financial Statements

Hospital Seismic Safety Act – The California Hospital Facilities Seismic Safety Act (“SB 1953”) specifies certain requirements that must be met at various dates in order to increase the probability that a California hospital can maintain uninterrupted operations following a major earthquake. Management believes that the Hospital is currently substantially in compliance with these requirements.

Arbitrage – The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and, at June 30, 2019, does not expect to incur a significant liability.

Operating leases – The District leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2019 and 2018, was \$677,067 and \$809,553, respectively. Future minimum lease payments, by year and in the aggregate, for all operating leases consist of the following:

Years Ending June 30,

2020	\$ 278,883
2021	185,240
2022	141,585
2023	134,921
2024	6,858
	<hr/>
	\$ 747,487
	<hr/>

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of net position date but before the consolidated financial statements are issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of net position, including the estimates inherent in the process of preparing the consolidated financial statements. The District’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of net position but arose after the consolidated statement of net position date and before the consolidated financial statements are issued.

In September 2019, the District issued \$30,500,000 of Sierra View Local Health Care District Revenue Bonds, Series 2019, at rates ranging from 2.00% to 5.00%, to fund the construction and equipping of a distinct part skilled nursing / subacute facility and two rural health clinics and fund various improvements to its health facilities. Principal payments are due annually on July 1 and interest payments are due semi-annually on January 1 and July 1.

Sierra View Local Health Care District

Notes to Consolidated Financial Statements

On August 9, 2019, the District defeased the outstanding Sierra View Local Health Care District Refunding Revenue Bonds, Series 2010 (Bonds) through an irrevocable deposit of \$8,473,831 into an escrow fund. The amount deposited in the escrow fund will be used to pay the principal and interest on the Bonds to and including July 1, 2020, and to redeem the outstanding Bonds in full on July 1, 2020.

Supplementary Information
As of and for the Years Ended June 30, 2019 and 2018

Sierra View Local Health Care District
Consolidating Statement of Net Position
June 30, 2019

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 33,944,507	\$ 332,048	\$ -	\$ 34,276,555
Short-term investments and restricted funds	2,368,198	-	-	2,368,198
Patient accounts receivable, net of allowances for doubtful accounts of \$23,586,406	23,943,935	-	-	23,943,935
Other receivables	1,430,196	-	-	1,430,196
Inventories	3,300,820	-	-	3,300,820
Prepaid expenses and deposits	1,714,761	-	-	1,714,761
Total current assets	<u>66,702,417</u>	<u>332,048</u>	<u>-</u>	<u>67,034,465</u>
Long-term investments and restricted funds	156,587,984	-	-	156,587,984
Investment in securities	-	2,315,603	-	2,315,603
Other assets	250,000	-	-	250,000
Capital assets				
Nondepreciable	14,260,171	-	-	14,260,171
Depreciable, net of accumulated depreciation	86,867,252	-	-	86,867,252
Total capital assets	<u>101,127,423</u>	<u>-</u>	<u>-</u>	<u>101,127,423</u>
Total assets	<u>\$ 324,667,824</u>	<u>\$ 2,647,651</u>	<u>\$ -</u>	<u>\$ 327,315,475</u>
DEFERRED OUTFLOWS OF RESOURCES				
Advance refunding of bonds payable, net	\$ 2,769,309	\$ -	\$ -	\$ 2,769,309
Total deferred outflows of resources	<u>\$ 2,769,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,769,309</u>
LIABILITIES				
Current liabilities				
Bond interest payable	\$ 759,197	\$ -	\$ -	\$ 759,197
Current maturities of bonds payable	4,976,410	-	-	4,976,410
Accounts payable and accrued expenses	7,932,815	-	-	7,932,815
Accrued payroll and related costs	7,222,397	-	-	7,222,397
Estimated third-party payor settlements	7,167,000	-	-	7,167,000
Total current liabilities	<u>28,057,819</u>	<u>-</u>	<u>-</u>	<u>28,057,819</u>
Self-insurance reserves	1,227,350	-	-	1,227,350
Bonds payable, less current requirement	39,089,602	-	-	39,089,602
Total liabilities	<u>\$ 68,374,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,374,771</u>
NET POSITION				
Net investment in capital assets	\$ 74,955,472	\$ -	\$ -	\$ 74,955,472
Restricted - expendable	9,123,847	294,046	-	9,417,893
Restricted - nonexpendable	-	462,448	-	462,448
Unrestricted	174,983,043	1,891,157	-	176,874,200
Total net position	<u>\$ 259,062,362</u>	<u>\$ 2,647,651</u>	<u>\$ -</u>	<u>\$ 261,710,013</u>

Sierra View Local Health Care District
Consolidating Statement of Net Position
June 30, 2018

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 22,069,197	\$ 394,059	\$ -	\$ 22,463,256
Short-term investments and restricted funds	1,163,315	-	-	1,163,315
Patient accounts receivable, net of allowances for doubtful accounts of \$21,187,665	27,419,538	-	-	27,419,538
Other receivables	2,830,177	100,067	-	2,930,244
Inventories	3,277,895	-	-	3,277,895
Prepaid expenses and deposits	1,400,579	-	-	1,400,579
Total current assets	<u>58,160,701</u>	<u>494,126</u>	<u>-</u>	<u>58,654,827</u>
Long-term investments and restricted funds	149,957,046	-	-	149,957,046
Investment in securities	-	2,111,804	-	2,111,804
Capital Assets				
Nondepreciable	12,294,864	-	-	12,294,864
Depreciable, net of accumulated depreciation	95,428,565	-	-	95,428,565
Total capital assets	<u>107,723,429</u>	<u>-</u>	<u>-</u>	<u>107,723,429</u>
Total assets	<u>\$ 315,841,176</u>	<u>\$ 2,605,930</u>	<u>\$ -</u>	<u>\$ 318,447,106</u>
DEFERRED OUTFLOWS OF RESOURCES				
Advance refunding of bonds payable, net	\$ 3,021,064	\$ -	\$ -	\$ 3,021,064
Total deferred outflows of resources	<u>\$ 3,021,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,021,064</u>
LIABILITIES				
Current liabilities				
Bond interest payable	\$ 845,315	\$ -	\$ -	\$ 845,315
Current maturities of bonds payable	4,801,173	-	-	4,801,173
Current maturities of notes payable	864,818	-	-	864,818
Accounts payable and accrued expenses	6,617,606	7,653	-	6,625,259
Accrued payroll and related costs	6,610,685	-	-	6,610,685
Estimated third-party payor settlements	5,753,989	-	-	5,753,989
Total current liabilities	<u>25,493,586</u>	<u>7,653</u>	<u>-</u>	<u>25,501,239</u>
Self-insurance reserves	1,352,041	-	-	1,352,041
Bonds payable, less current requirement	44,066,012	-	-	44,066,012
Total liabilities	<u>\$ 70,911,639</u>	<u>\$ 7,653</u>	<u>\$ -</u>	<u>\$ 70,919,292</u>
NET POSITION				
Net investment in capital assets	\$ 75,332,792	\$ -	\$ -	\$ 75,332,792
Restricted - expendable	8,818,551	410,331	-	9,228,882
Restricted - nonexpendable	-	462,448	-	462,448
Unrestricted	163,799,258	1,725,498	-	165,524,756
Total net position	<u>\$ 247,950,601</u>	<u>\$ 2,598,277</u>	<u>\$ -</u>	<u>\$ 250,548,878</u>

Sierra View Local Health Care District
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of \$4,168,147	\$ 147,411,850	\$ -	\$ -	\$ 147,411,850
Other operating revenue	7,607,198	-	-	7,607,198
Total operating revenues	155,019,048	-	-	155,019,048
Operating expenses				
Salaries and wages	62,661,253	-	-	62,661,253
Supplies	24,933,406	-	-	24,933,406
Professional fees	16,527,606	-	-	16,527,606
Employee benefits	15,058,985	-	-	15,058,985
Depreciation	11,474,812	-	-	11,474,812
Purchased services	9,406,114	-	-	9,406,114
Other operating expenses	3,399,378	241,813	-	3,641,191
Repairs and maintenance	2,630,736	-	-	2,630,736
Utilities	2,032,459	-	-	2,032,459
Insurance	848,395	-	-	848,395
Building and equipment rent	677,067	-	-	677,067
Total operating expenses	149,650,211	241,813	-	149,892,024
Income (loss) from operations	5,368,837	(241,813)	-	5,127,024
Nonoperating revenues (expenses)				
District tax revenues	1,248,547	-	-	1,248,547
Investment income	3,215,801	33,827	-	3,249,628
Net decrease in the fair value of investments	2,849,025	193,330	-	3,042,355
Interest expense	(1,531,790)	-	-	(1,531,790)
Other nonoperating expenses	(605,838)	-	-	(605,838)
Other nonoperating income	567,179	38	-	567,217
Noncapital grants and contributions	-	63,992	-	63,992
Total nonoperating revenues	5,742,924	291,187	-	6,034,111
Increase in net position	11,111,761	49,374	-	11,161,135
Net position, beginning of year	247,950,601	2,598,277	-	250,548,878
Net position, end of year	\$ 259,062,362	\$ 2,647,651	\$ -	\$ 261,710,013

Sierra View Local Health Care District
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of \$2,755,033	\$ 138,327,639	\$ -	\$ -	\$ 138,327,639
Other operating revenue	9,637,205	-	(25,932)	9,611,273
Total operating revenues	147,964,844	-	(25,932)	147,938,912
Operating expenses				
Salaries and wages	61,778,523	-	-	61,778,523
Supplies	24,166,617	-	-	24,166,617
Employee benefits	15,927,466	-	-	15,927,466
Professional fees	13,803,623	-	-	13,803,623
Depreciation	11,434,118	-	-	11,434,118
Purchased services	8,685,668	-	-	8,685,668
Other operating expenses	3,698,429	308,620	(25,932)	3,981,117
Repairs and maintenance	2,626,852	-	-	2,626,852
Utilities	2,094,998	-	-	2,094,998
Insurance	1,061,763	-	-	1,061,763
Building and equipment rent	809,553	-	-	809,553
Total operating expenses	146,087,610	308,620	(25,932)	146,370,298
Income (loss) from operations	1,877,234	(308,620)	-	1,568,614
Nonoperating revenues (expenses)				
District tax revenues	1,184,652	-	-	1,184,652
Investment income	3,077,557	105,662	-	3,183,219
Net increase in the fair value of investments	(3,089,047)	54,618	-	(3,034,429)
Interest expense	(1,732,519)	-	-	(1,732,519)
Other nonoperating expenses	(699,740)	-	-	(699,740)
Other nonoperating income	474,303	3,782	-	478,085
Noncapital grants and contributions	-	385,474	-	385,474
Total nonoperating revenues (expenses)	(784,794)	549,536	-	(235,258)
Increase in net position	1,092,440	240,916	-	1,333,356
Net position, beginning of year	246,858,161	2,357,361	-	249,215,522
Net position, end of year	\$ 247,950,601	\$ 2,598,277	\$ -	\$ 250,548,878

