



Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information

**Sierra View Local Health Care District**

June 30, 2024 and 2023

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## **Management's Discussion and Analysis**

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# **Sierra View Local Health Care District Management's Discussion and Analysis Years Ended June 30, 2024, 2023, and 2022**

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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, 2024, 2023, and 2022. Please read this in conjunction with the District's consolidated financial statements and accompanying notes, which begin on page 12.

## **Financial Highlights for Fiscal Year 2024**

- The District's increase in net position was \$3.7 million for 2024 as compared to a \$13.4 million decrease for 2023.
- The District's loss from operations for fiscal year 2024 was \$6.1 million as compared to \$16.2 million for 2023.
- Nonoperating revenues were \$9.9 million in fiscal year 2024 as compared to \$2.8 million for 2023.
- In 2024, the District received net payments of \$14.6 million by way of the Inter-Governmental Transfer Program. In 2023, these payments totaled \$8.9 million.

The District's consolidated financial statements consist of the following: consolidated statements of net position; consolidated statements of revenues, expenses, and changes in net position; and consolidated statements 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, 2024 and 2023.

## **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.

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Management’s Discussion and Analysis  
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**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, deferred outflows of resources, and liabilities reported in the consolidated statements of net position found on page 12. The District’s net position increased by \$3.7 million for 2024 as compared to decrease of \$13.4 million for 2023, as presented in the following table (amounts are in thousands):

	As of June 30,		
	2024	2023	2022
Current assets	\$ 77,709	\$ 67,901	\$ 74,948
Capital assets	77,815	85,138	91,567
Restricted and other assets	167,530	170,722	181,213
<b>Total assets</b>	<b>\$ 323,054</b>	<b>\$ 323,761</b>	<b>\$ 347,728</b>
Deferred outflows of resources	\$ 1,511	\$ 1,762	\$ 2,014
Current liabilities	\$ 25,965	\$ 23,640	\$ 27,533
Long-term liabilities	45,297	51,836	58,784
<b>Total liabilities</b>	<b>\$ 71,262</b>	<b>\$ 75,476</b>	<b>\$ 86,317</b>
Deferred inflows of resources	\$ 1,224	\$ 1,692	\$ 1,657
Net investment in capital assets	\$ 64,824	\$ 66,052	\$ 68,867
Restricted - expendable	5,798	5,440	5,116
Restricted - nonexpendable	462	462	462
Unrestricted	180,995	176,401	187,322
<b>Total net position</b>	<b>\$ 252,079</b>	<b>\$ 248,355</b>	<b>\$ 261,768</b>

**Sierra View Local Health Care District  
Management's Discussion and Analysis  
Years Ended June 30, 2024, 2023, and 2022**

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**Operating Results and Changes in the District's Net Position**

During 2024, the District's net position increased by \$3.7 million as compared to a \$13.4 million decrease in 2023, as presented in the following table (amounts are shown in thousands). These changes are comprised of operating and nonoperating components and represent the total change in net position of the District. The difference between 2024 and 2023 is the increase in net patient service revenue due to an increase in outpatient services and better than expected collections.

	Fiscal Years Ended June 30,		
	2024	2023	2022
Operating revenues			
Net patient service revenues	\$ 156,856	\$ 146,078	\$ 154,472
Other operating revenues	8,322	8,621	6,942
Total operating revenues	<u>165,178</u>	<u>154,699</u>	<u>161,414</u>
Operating expenses			
Salaries, wages, and benefits	93,829	87,641	81,062
Professional fees	17,714	24,326	32,209
Supplies	24,876	24,360	24,115
Depreciation and amortization	12,055	12,164	11,826
Other operating expenses	22,843	22,443	19,841
Total operating expenses	<u>171,317</u>	<u>170,934</u>	<u>169,053</u>
Total operating loss	<u>(6,138)</u>	<u>(16,234)</u>	<u>(7,639)</u>
Nonoperating revenue (expenses)			
District tax revenues	1,670	1,518	1,430
Investment return	4,123	3,499	2,067
Interest expense	(1,088)	(1,244)	(1,339)
Other nonoperating items	5,157	(952)	799
Total nonoperating revenues	<u>9,862</u>	<u>2,821</u>	<u>2,957</u>
Increase (decrease) in net position	<u>\$ 3,724</u>	<u>\$ (13,413)</u>	<u>\$ (4,682)</u>

# Sierra View Local Health Care District

## Management's Discussion and Analysis

### Years Ended June 30, 2024, 2023, and 2022

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#### Operating Gains

The primary component of the overall change in the District's net position is its total loss from operations, generally the difference between net patient service revenues and the expenses incurred to perform those services. Total loss from operations in 2024 was \$6.1 million as compared to \$16.2 million in 2023.

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

- An increase in net patient service revenues of \$10.8 million (7.4%) in 2024.
- A decrease in other operating revenues of \$299 thousand (3.5%) in 2024.
- An increase in operating expenses of \$383 thousand in 2024 primarily due to an increase in employee cost (salaries, wages and benefits) with offsets from professional fees.
- Net patient service revenues increased in 2024 due to a robust outpatient activity. Acute patient days decreased to 19,849 in 2024 from 21,128 in 2023; acute discharges decreased to 5,213 from 5,377 in 2023. Inpatient charges decreased to \$278 million in 2024 from \$287 million in 2023. Total outpatient visits increased by 5.4% in 2024 as compared to 2023. Outpatient charges increased to \$399 million in 2024 from \$380 million in 2023 and as a percentage of total charges, outpatient charges were 58.9% as compared to 57.0%, respectively.

Employee salaries, wages, and benefits were \$93.8 million in 2024 and \$87.6 million in 2023. The components of these costs are as follows:

- Salaries and wages totaled \$75.8 million in 2024 and \$70.7 million in 2023. Staffing, as measured by paid full-time equivalents (FTEs), was 863 in 2024 and 890 in 2023.
- Employee benefits totaled \$18 million in 2024 and \$17 million in 2023.
- Salaries and wages per paid FTE, were \$87,848 in 2024 and \$79,414 in 2023.

Other changes were as follows:

- There was a decrease of \$6.6 million (27.2%) in professional fees. This was due to a decrease in contracted clinical staff usage.
- Supply expenses increased \$516 thousand (2.1%) due to inflationary pressure.
- Purchased services and other operating expenses increased to \$10.6 million (6.2%) and \$4.4 million (2.6%), respectively.
- Other expense category changes (depreciation, repairs and maintenance, utilities, building and equipment rent, and insurance) increased to \$19.9 million (11.6%).

# **Sierra View Local Health Care District Management's Discussion and Analysis Years Ended June 30, 2024, 2023, and 2022**

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## **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses 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 loss and nonoperating revenues and expenses discussed earlier.

## **Capital Assets**

At the end of 2023, the District had \$85.1 million in capital assets, net of depreciation, as detailed in the footnotes to the financial statements. At the end of 2024, the District had \$77.8 million invested in capital assets, net of depreciation. In 2024, the District improved facilities and acquired new equipment for a total net investment of \$3.2 million, net of disposals, as compared to \$5.8 million in 2023.

## **Debt Borrowings**

At the end of 2024, the District had \$46.4 million in long-term debt borrowings outstanding including current maturities and unamortized premium. At the end of 2023, the District had \$52.2 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 were issued with a premium of \$2.3 million at rates ranging from 2.0% to 5.0%. The bonds will mature in varying amounts beginning July 1, 2020 through July 1, 2034, with maximum annual debt service of \$2.7 million.

On September 16, 2020, the District issued \$24.1 million in refunding revenue bonds to redeem all but \$100,000 of the District's 2015 series bonds. The bonds were issued with a premium of \$3.7 million, at rates ranging from 4.0% to 5.0%. The bonds will mature in varying amounts beginning July 1, 2021 through July 1, 2030, with maximum annual debt service of \$3.1 million.

## **Other Economic Factors**

The District is located in southeast Tulare County, California, which is highly dependent on agriculture for employment. As of August 2024, the unemployment rate in Tulare County is approximately 200% 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.



# **Sierra View Local Health Care District Management's Discussion and Analysis Years Ended June 30, 2024, 2023, and 2022**

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The District's Board of Directors approved the fiscal year 2025 budget at its June 25, 2024, meeting. For fiscal year 2025, the District is budgeted to increase its net position by \$170,632. The increase is due to the following assumptions:

- Inpatient volumes are budgeted to decrease 1.0% over 2024 volumes.
- Outpatient volumes are projected to increase 1.8% when compared to 2024.
- Operating loss of \$6.4 million.
- Total nonoperating revenue of \$6.2 million.
- Overall operating revenue will increase by 0.4% and expenses will decrease by 1.0% as compared to 2024.

## **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 2024 and 2023, the District received no meaningful use funds.

**Sierra View Local Health Care District  
Management's Discussion and Analysis  
Years Ended June 30, 2024, 2023, and 2022**

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**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.

**Statistical Analysis**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Census			
Adult patient days	19,849	21,128	25,528
Adult discharges	5,213	5,377	5,643
Average length of stay	3.81	3.93	4.52
Utilization			
Skilled nursing facility (SNF) patient days	477	1,513	939
Sub-acute patient days	11,723	10,239	10,817
Emergency room visits	41,525	40,335	37,177
Intensity of service indicator			
Case mix index (Medicare)	1.6368	1.6395	1.6783
Case mix index (Overall)	1.3724	1.3732	1.4431
Efficiency indicators			
Full-time equivalents (FTE)	862.58	889.89	907.86
Productive FTEs	736.20	760.85	770.32
FTEs per adjusted occupied bed	5.01	5.25	5.18

## Report of Independent Auditors

The Board of Directors  
Sierra View Local Health Care District

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Sierra View Local Health Care District, which comprise the consolidated statements of net position as of June 30, 2024 and 2023, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sierra View Local Health Care District as of June 30, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sierra View Local Health Care District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sierra View Local Health Care District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sierra View Local Health Care District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sierra View Local Health Care District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of net position as of June 30, 2024 and 2023, and consolidating statements of revenues, expenses, and changes in net position for the years ended June 30, 2024 and 2023, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the consolidated statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in dark ink and is positioned above the typed name and date.

Tacoma, Washington  
October 24, 2024

## **Consolidated Financial Statements**

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**Sierra View Local Health Care District**  
**Consolidated Statements of Net Position**  
**June 30, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 23,437,932	\$ 13,670,337
Short-term investments and restricted funds	5,280,017	5,823,737
Patient accounts receivable, net of allowances for doubtful accounts of \$23,546,275 and \$27,741,802, in 2024 and 2023, respectively	23,814,993	25,987,737
Other receivables	18,250,178	15,676,671
Current maturities of lease receivable	314,237	341,565
Inventories	4,290,652	4,017,960
Prepaid expenses and deposits	2,321,404	2,382,978
Total current assets	77,709,413	67,900,985
Long-term investments and restricted funds	159,899,321	161,896,139
Investment in securities	3,292,172	2,892,807
Right-to-use assets, net of amortization	423,316	578,285
Subscription assets, net of amortization	2,686,962	3,695,160
Other assets	250,000	250,000
Lease receivables, net of current maturities	978,654	1,408,591
Capital assets		
Nondepreciable	11,408,812	10,795,641
Depreciable, net of accumulated depreciation	66,405,741	74,343,045
Total capital assets	77,814,553	85,138,686
Total assets	\$ 323,054,391	\$ 323,760,653
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Advance refunding of bonds payable, net	\$ 1,510,532	\$ 1,762,288
Total deferred outflows of resources	\$ 1,510,532	\$ 1,762,288

See accompanying notes.

**Sierra View Local Health Care District**  
**Consolidated Statements of Net Position**  
**June 30, 2024 and 2023**

	2024	2023
<b>LIABILITIES</b>		
Current liabilities		
Bond interest payable	\$ 783,700	\$ 869,950
Current maturities of bonds payable	4,055,000	3,880,000
Current maturities of notes payable	1,201,171	1,188,800
Current maturities of lease liabilities	141,812	145,470
Current maturities of subscription liabilities	1,242,727	1,272,203
Accounts payable and accrued expenses	6,323,588	5,770,930
Accrued payroll and related costs	8,559,820	7,356,961
Estimated third-party payor settlements	3,656,945	3,155,270
Total current liabilities	25,964,763	23,639,584
Self-insurance reserves	2,189,000	1,665,955
Bonds payable, less current maturities	40,212,060	44,969,900
Notes payable, less current maturities	939,976	2,139,373
Lease liabilities, less current maturities	302,549	444,361
Subscription liabilities, less current maturities	1,653,849	2,616,968
Total liabilities	\$ 71,262,197	\$ 75,476,141
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - leases	\$ 1,223,916	\$ 1,691,983
Total deferred inflows of resources	\$ 1,223,916	\$ 1,691,983
<b>NET POSITION</b>		
Net investment in capital assets	\$ 64,823,608	\$ 66,051,555
Restricted - expendable	5,797,697	5,439,839
Restricted - nonexpendable	462,448	462,448
Unrestricted	180,995,057	176,400,975
Total net position	\$ 252,078,810	\$ 248,354,817

See accompanying notes.



**Sierra View Local Health Care District**  
**Consolidated Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$4,884,098 and \$4,263,560, in 2024 and 2023, respectively	\$ 156,856,156	\$ 146,077,836
Other operating revenue	8,322,016	8,621,133
Total operating revenues	165,178,172	154,698,969
Operating expenses		
Salaries and wages	75,812,800	70,678,032
Supplies	24,875,843	24,359,504
Professional fees	17,714,239	24,326,026
Employee benefits	18,015,717	16,963,074
Depreciation and amortization	12,054,551	12,164,241
Purchased services	10,648,295	10,264,397
Other operating expenses	4,370,637	4,675,427
Repairs and maintenance	2,910,899	2,722,368
Utilities	3,041,101	2,988,570
Building and equipment rent	416,893	473,876
Insurance	1,455,611	1,318,288
Total operating expenses	171,316,586	170,933,803
Loss from operations	(6,138,414)	(16,234,834)
Nonoperating revenues (expenses)		
District tax revenues	1,670,181	1,517,886
Investment return	4,123,489	3,499,048
Net increase (decrease) in the fair value of investments	4,656,432	(2,154,947)
Interest expense	(1,088,342)	(1,243,803)
Other nonoperating expenses	(442,054)	(453,451)
Other nonoperating revenue	653,025	1,548,972
Noncapital grants and contributions	289,676	108,011
Total nonoperating revenues	9,862,407	2,821,716
Increase (decrease) in net position	3,723,993	(13,413,118)
Net position, beginning of year	248,354,817	261,767,935
Net position, end of year	\$ 252,078,810	\$ 248,354,817

See accompanying notes.

**Sierra View Local Health Care District**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 159,530,575	\$ 148,456,114
Cash received from other sources	7,312,863	8,991,757
Cash paid to suppliers for goods and services	(65,091,978)	(73,759,311)
Cash paid to employees for services	<u>(94,676,120)</u>	<u>(95,463,849)</u>
Net cash provided by (used in) operating activities	<u>7,075,340</u>	<u>(11,775,289)</u>
Cash flows from noncapital financing activities		
District tax revenues	1,670,181	1,517,886
Noncapital grants and contributions, net of other expenses	<u>500,647</u>	<u>1,203,532</u>
Net cash provided by noncapital financing activities	<u>2,170,828</u>	<u>2,721,418</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,182,282)	(5,751,741)
Payments on bonds	(3,880,000)	(3,715,000)
Proceeds from lease receivables	547,267	547,267
Payments on notes	(2,710,060)	(2,535,732)
Interest payments on debt	<u>(1,174,592)</u>	<u>(1,326,328)</u>
Net cash used in capital and related financing activities	<u>(10,399,667)</u>	<u>(12,781,534)</u>
Cash flows from investing activities		
Purchase of investments	(113,214,020)	(68,640,975)
Sale of investments	120,011,625	79,729,003
Investment income	<u>4,123,489</u>	<u>3,499,048</u>
Net cash provided by investing activities	<u>10,921,094</u>	<u>14,587,076</u>
Net change in cash and cash equivalents	9,767,595	(7,248,329)
Cash and equivalents, beginning of year	<u>13,670,337</u>	<u>20,918,666</u>
Cash and equivalents, end of year	<u>\$ 23,437,932</u>	<u>\$ 13,670,337</u>

See accompanying notes.

**Sierra View Local Health Care District**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
Reconciliation of loss from operations to net cash from operating activities		
Loss from operations	\$ (6,138,414)	\$ (16,234,834)
Adjustments to reconcile loss from operations to net cash from operating activities		
Depreciation and amortization	12,054,551	12,164,241
Amortization of bond premium	(702,840)	(778,872)
Loss on impairment of capital assets	-	1,453,844
Provision for bad debts	4,884,098	4,263,560
Change in assets and liabilities		
Patient accounts receivable, net	(2,711,354)	(884,985)
Other receivables	(2,573,507)	(7,069,881)
Inventories	(272,692)	(72,464)
Prepaid expenses and deposits	61,574	(104,725)
Advance refunding of bonds payable, net	251,756	251,755
Lease receivables	(90,002)	(590,647)
Accounts payable and accrued expenses	552,658	(2,453,666)
Accrued payroll and related costs	1,202,859	(565,817)
Estimated third-party payor settlements	501,675	(1,000,297)
Self-insurance reserves	523,045	(187,045)
Deferred inflows of resources - leases	(468,067)	34,544
	<u>\$ 7,075,340</u>	<u>\$ (11,775,289)</u>
Supplemental disclosure of noncash investing and financing activities		
Noncash acquisition of subscription assets	<u>\$ 384,969</u>	<u>\$ -</u>

See accompanying notes.

# Sierra View Local Health Care District

## Notes to Consolidated Financial Statements

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### 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 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 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts and the State Controller's Office prescribed reporting guidelines.

## Sierra View Local Health Care District

### Notes to Consolidated Financial Statements

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**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, right-to-use lease assets and liabilities, subscription assets and liabilities, and useful lives of capital assets. Actual results could differ from those estimates.

**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 reflected as 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 as the net change in the fair value of investments 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 gains and losses on investments carried at fair value, and realized gains and losses on other investments.

**Restricted funds** – Restricted funds 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. Restricted funds consist primarily of deposits with local banking and investment institutions and bond trustees.

**Patient accounts receivable, net** – 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.

## Sierra View Local Health Care District

### Notes to Consolidated Financial Statements

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**Lease receivable** – The District’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on an effective interest method basis over the term of each lease.

**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. The 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.

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 impairment losses of \$0 and \$1,453,844 included in other operating expenses in the consolidated statements of revenues, expenses, and changes in net position as of June 30, 2024 and 2023, respectively.

Depreciation of capital assets 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.

**Right-to-use assets** – The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

**Subscription assets** – The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the subscription-based information technology arrangements (SBITA) vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

**Deferred outflows and inflows** – The District records deferred outflows or inflows of resources in its consolidated financial statements for consumption or acquisition of its consolidated net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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**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, 2024 and 2023, were \$4,161,071 and \$4,202,977, respectively.

The following is a summary of changes in compensated absences transactions for the years ended June 30:

	Balance as of July 1, 2023	Increases	Decreases	Balance as of June 30, 2024	Current Portion
Compensated absences	\$ 4,202,977	\$ 50,058,944	\$ 50,100,850	\$ 4,161,071	\$ 4,161,071
	Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023	Current Portion
Compensated absences	\$ 4,422,092	\$ 51,106,256	\$ 51,325,371	\$ 4,202,977	\$ 4,202,977

**Sick leave** – The District’s full-time and part-time employees are front-loaded 5 days of sick leave on date of hire and on each 12-month anniversary period and unused days are paid out the day before their annual anniversary. Per diem employees accrue up to 5 days of sick leave based on their hours worked on each 12-month anniversary period and unused days carry over to the following year, up to a maximum of 10 days. Employees are not paid for unused sick leave upon termination or retirement.

**Lease liabilities** – The District recognizes lease contracts or equivalents that have a term exceeding one year and that meet the definition of an other than short-term lease. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District’s incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

The following is a summary of changes in lease liabilities, net for the years ended June 30:

	Balance as of July 1, 2023	Increases	Decreases	Balance as of June 30, 2024	Current Portion
Lease liabilities	\$ 589,831	\$ -	\$ 145,470	\$ 444,361	\$ 141,812
	Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023	Current Portion
Lease liabilities	\$ 271,066	\$ 477,654	\$ 158,889	\$ 589,831	\$ 145,470

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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**Subscription liabilities** – The District entered into various agreements for information technology (IT) subscriptions. These agreements range in terms up to year 2028. Total subscription payments were \$1,272,199 and \$1,198,659 for fiscal years 2024 and 2023, respectively. Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance; therefore, these payments are not included in subscription assets or subscription liabilities. There were no variable subscription expenses or payments in the fiscal years ended June 30, 2024 and 2023. The District did not enter into any additional subscription agreements that have yet to commence as of June 30, 2024.

The District recognizes contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceeding \$100,000 that meet the definition of an other than short-term subscription. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the subscription for a similar asset type and term length to the contract. Short-term subscription payments are expensed when incurred.

The following is a summary of changes in subscription liabilities, net for the years ended June 30:

	Balance as of July 1, 2023	Increases	Decreases	Balance as of June 30, 2024	Current Portion
Subscription liabilities	\$ 3,889,171	\$ 384,969	\$ 1,377,564	\$ 2,896,576	\$1,242,727
	Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023	Current Portion
Subscription liabilities	\$ 5,087,830	\$ -	\$ 1,198,659	\$ 3,889,171	\$1,272,203

**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.



## **Sierra View Local Health Care District**

### **Notes to Consolidated Financial Statements**

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**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 statements 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 return.

**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 \$6,334,670 and \$6,075,775 for the years ended June 30, 2024 and 2023, respectively.

**District tax revenues** – The District receives approximately 1.0% 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.

## Sierra View Local Health Care District

### Notes to Consolidated Financial Statements

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**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.

**New accounting pronouncements** – In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of GASB 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB 101 is effective for fiscal years beginning after December 15, 2023. The District is currently assessing the impact of GASB 101 on the District's consolidated financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* (GASB 102). The objective of GASB 102 is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, GASB 102 requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB 102 is effective for fiscal years beginning after June 15, 2024. The District is currently assessing the impact of GASB 102 on the District's consolidated financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The financial statement improvements resulting from GASB 103 include changes to management's discussion and analysis, presentation of major discretely presented component units, reporting extraordinary and special items as unusual or infrequent items, changes to the proprietary statement of revenues, expenses, and changes in fund net position, definitions of operating and non-operating revenues and expenses, and the presentation of budgetary comparison information. GASB 103 is effective for fiscal years beginning after June 15, 2025. The District is currently assessing the impact of GASB 103 on the District's consolidated financial statements.

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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### 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, 2024, cost reports through June 30, 2021, 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, 2024, cost reports through June 30, 2022, 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:

	2024	2023
Daily hospital services	\$ 63,624,847	\$ 60,760,020
Inpatient ancillary services	214,304,531	226,345,316
Outpatient services	398,800,766	380,462,532
Gross patient service revenue	676,730,144	667,567,868
Less contractual allowances and provision for bad debts	(519,873,988)	(521,490,032)
Net patient service revenue	\$ 156,856,156	\$ 146,077,836

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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

	2024	2023
Medicare and Medicare managed care	42%	38%
Medi-Cal and Medi-Cal managed care	39%	42%
Commercial	17%	18%
Self-pay	1%	1%
Others	1%	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.

Non-Designated Public Hospitals (NDPHs), including the District, were authorized, in 2011's Assembly Bill (AB) 113, to use intergovernmental transfers (IGTs) to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service. The IGTs are used to bring NDPHs, in the aggregate, up to their upper payment limit (UPL). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For the years ended June 30, 2024 and 2023, the District recognized amounts under the IGT program of \$14,551,095 and \$8,891,321, respectively, which have been reported as net patient service revenue.

### 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. At June 30, 2024 and 2023, the District's cash deposits had carrying amounts of \$23,437,932 and \$13,670,337, and bank balances of \$23,967,459 and \$14,966,298, respectively. All of these funds were held in cash deposits, which are collateralized with the California Government Code (CGC), except for \$250,000 per account that is federally insured by the Federal Deposit Insurance Corporation.

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.

**Sierra View Local Health Care District**  
**Notes to Consolidated Financial Statements**

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

	2024	2023
Board designated funds 2019 Bond project fund	\$ 31,163,960	\$ 29,911,292
Funds held by trustee under bond indenture	5,235,521	5,003,719
Restricted funds	34,662	30,315
Unrestricted investments	132,037,367	135,667,357
Total investments	\$ 168,471,510	\$ 170,612,683
Short-term investments and restricted funds	\$ 5,280,017	\$ 5,823,737
Long-term investments and restricted funds	159,899,321	161,896,139
Investment in securities	3,292,172	2,892,807
Total investments	\$ 168,471,510	\$ 170,612,683

## Sierra View Local Health Care District

### Notes to Consolidated Financial Statements

A summary of scheduled maturities by investment type at June 30, 2024 and 2023, were as follows:

Investment type	2024			
	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10+
Federal agency securities	\$ 56,282,642	\$ -	\$ 56,282,642	\$ -
U.S. treasury securities	31,163,960	31,163,960	-	-
Corporate bonds	26,886,971	-	26,886,971	-
Certificates of deposit	40,981,975	-	40,981,975	-
Money market funds	5,280,017	5,280,017	-	-
Mutual funds	4,583,774	4,583,774	-	-
<b>Total investments and restricted funds</b>	<b>165,179,339</b>	<b>41,027,751</b>	<b>124,151,588</b>	<b>-</b>
Corporate bonds	303,313	-	303,313	-
Certificates of deposit	150,009	-	150,009	-
Money market funds	26,027	26,027	-	-
Mutual security funds	997,460	997,460	-	-
Equity securities	1,815,362	1,815,362	-	-
<b>Total investments in securities</b>	<b>3,292,171</b>	<b>2,838,849</b>	<b>453,322</b>	<b>-</b>
<b>Total investments</b>	<b>\$ 168,471,510</b>	<b>\$ 43,866,600</b>	<b>\$ 124,604,910</b>	<b>\$ -</b>

  

Investment type	2023			
	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	6 to 10+
Federal agency securities	\$ 46,562,419	\$ -	\$ 46,562,419	\$ -
U.S. treasury securities	29,911,292	29,911,292	-	-
Corporate bonds	41,828,994	-	41,828,994	-
Certificates of deposit	39,569,403	-	39,569,403	-
Money market funds	6,049,297	6,049,297	-	-
Mutual funds	3,798,470	3,798,470	-	-
<b>Total investments and restricted funds</b>	<b>167,719,875</b>	<b>39,759,059</b>	<b>127,960,816</b>	<b>-</b>
Corporate bonds	296,575	-	296,575	-
Money market funds	35,284	35,284	-	-
Mutual security funds	1,050,736	1,050,736	-	-
Equity securities	1,510,213	1,510,213	-	-
<b>Total investments in securities</b>	<b>2,892,808</b>	<b>2,596,233</b>	<b>296,575</b>	<b>-</b>
<b>Total investments</b>	<b>\$ 170,612,683</b>	<b>\$ 42,355,292</b>	<b>\$ 128,257,391</b>	<b>\$ -</b>

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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Required disclosures for the District’s deposit and investment risks at June 30, 2024, were as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of deposit	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Tulare County Treasurer’s Pooled Money Fund	N/A	None	None
U.S. Treasury Securities	5 years	None	None
Federal agency securities & Gov’t sponsored enterprises	5 years	None	None
Passbook savings or money market account	N/A	None	None
Mutual funds	N/A	20%	None
Medium-term corporate notes - A rated	5 years	30%	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 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, 2024 and 2023, 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.

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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### Note 4 – Patient Accounts Receivable, net

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.

Patient accounts receivable is comprised of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Medi-Cal and Medi-Cal managed care	\$ 73,356,549	\$ 70,122,380
Other payors and self-pay	53,805,923	34,824,936
Medicare and Medicare managed care	<u>57,455,261</u>	<u>55,440,698</u>
Gross patient accounts receivable	184,617,733	160,388,014
Less allowances for contractual adjustments and bad debts	<u>(160,802,740)</u>	<u>(134,400,277)</u>
Net patient accounts receivable	<u>\$ 23,814,993</u>	<u>\$ 25,987,737</u>

Concentration of net patient accounts receivable as of June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Commercial	34%	37%
Medi-Cal and Medi-Cal managed care	30%	30%
Medicare and Medicare managed care	28%	24%
Self-pay	5%	7%
Other payors	<u>3%</u>	<u>2%</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, 2024 and 2023, were as follows:

	Balance June 30, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Capital assets - nondepreciable					
Land	\$ 8,331,665	\$ -	\$ -	\$ -	\$ 8,331,665
Construction in progress, net	2,463,976	3,176,973	-	(2,563,802)	3,077,147
	<u>10,795,641</u>	<u>3,176,973</u>	<u>-</u>	<u>(2,563,802)</u>	<u>11,408,812</u>
Capital assets - depreciable					
Land improvements	11,674,399	-	-	-	11,674,399
Building and improvements	147,269,606	-	-	322,051	147,591,657
Equipment	99,654,308	5,309	(136,981)	2,241,751	101,764,387
	<u>258,598,313</u>	<u>5,309</u>	<u>(136,981)</u>	<u>2,563,802</u>	<u>261,030,443</u>
Less accumulated depreciation for					
Land improvements	8,974,421	381,308	-	-	9,355,729
Buildings and improvements	92,370,123	4,365,584	-	-	96,735,707
Equipment	82,910,724	5,759,523	(136,981)	-	88,533,266
	<u>184,255,268</u>	<u>10,506,415</u>	<u>(136,981)</u>	<u>-</u>	<u>194,624,702</u>
Total capital assets - depreciable, net	<u>74,343,045</u>	<u>(10,501,106)</u>	<u>-</u>	<u>2,563,802</u>	<u>66,405,741</u>
Total capital assets, net	<u>\$ 85,138,686</u>	<u>\$ (7,324,133)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,814,553</u>
	Balance June 30, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Capital assets - nondepreciable					
Land	\$ 8,331,665	\$ -	\$ -	\$ -	\$ 8,331,665
Construction in progress, net	6,149,403	5,739,782	(1,453,844)	(7,971,365)	2,463,976
	<u>14,481,068</u>	<u>5,739,782</u>	<u>(1,453,844)</u>	<u>(7,971,365)</u>	<u>10,795,641</u>
Capital assets - depreciable					
Land improvements	11,605,438	-	-	68,961	11,674,399
Building and improvements	146,740,961	-	-	528,645	147,269,606
Equipment	92,330,366	11,959	(61,776)	7,373,759	99,654,308
	<u>250,676,765</u>	<u>11,959</u>	<u>(61,776)</u>	<u>7,971,365</u>	<u>258,598,313</u>
Less accumulated depreciation for					
Land improvements	8,528,923	445,498	-	-	8,974,421
Buildings and improvements	87,946,018	4,424,105	-	-	92,370,123
Equipment	77,115,456	5,857,044	(61,776)	-	82,910,724
	<u>173,590,397</u>	<u>10,726,647</u>	<u>(61,776)</u>	<u>-</u>	<u>184,255,268</u>
Total capital assets - depreciable, net	<u>77,086,368</u>	<u>(10,714,688)</u>	<u>-</u>	<u>7,971,365</u>	<u>74,343,045</u>
Total capital assets, net	<u>\$ 91,567,436</u>	<u>\$ (4,974,906)</u>	<u>\$ (1,453,844)</u>	<u>\$ -</u>	<u>\$ 85,138,686</u>

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

### Note 6 – Bonds and Notes Payable

A summary of bonds and notes payable as of June 30, 2024 and 2023, were as follows:

	2024						
	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Original Premium Amount	Outstanding at June 30, 2024
Revenue bonds							
2019 Series	9/11/2019	7/1/2034	2.00% - 5.00%	\$1,695,000 - \$2,485,000	\$ 30,500,000	\$ 2,317,944	\$ 24,791,665
2020 Series	9/17/2020	7/1/2030	4.00% - 5.00%	\$2,065,000 - \$2,915,000	24,125,000	3,748,592	19,475,395
Notes payable							
Banc of America Public Capital Corporation	5/11/2021	5/11/2026	1.23%	\$80,842 - \$1,013,244	5,000,000	-	1,953,220
Stryker Flex	1/6/2021	5/20/2025	0.49%	\$187,927	939,634	-	187,927
					<u>\$ 60,564,634</u>	<u>\$ 6,066,536</u>	<u>\$ 46,408,207</u>
	2023						
	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Original Premium Amount	Outstanding at June 30, 2023
Revenue bonds							
2019 Series	9/11/2019	7/1/2034	2.00% - 5.00%	\$1,695,000 - \$2,485,000	\$ 30,500,000	\$ 2,317,944	\$ 26,737,605
2020 Series	9/17/2020	7/1/2030	4.00% - 5.00%	\$2,065,000 - \$2,915,000	24,125,000	3,748,592	22,112,295
Notes payable							
Banc of America Public Capital Corporation	5/11/2021	5/11/2026	1.23%	\$80,842 - \$1,013,244	5,000,000	-	2,952,319
Stryker Flex	1/6/2021	5/20/2025	0.49%	\$187,927	939,634	-	375,854
					<u>\$ 60,564,634</u>	<u>\$ 6,066,536</u>	<u>\$ 52,178,073</u>

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

The following tables summarize the District's bonds and notes payable transactions for the years ended June 30:

	2024				
	Balance June 30, 2023	Net Borrowings and Issuance Proceeds	Payments and Bond Premium Amortization During the Year	Balance June 30, 2024	Current Portion
<b>Revenue bonds</b>					
2019 Series revenue bonds	\$ 25,455,000	\$ -	\$ (1,730,000)	\$ 23,725,000	\$ 1,815,000
2019 Series revenue bonds premium	1,282,605	-	(215,940)	1,066,665	-
2020 Series revenue bonds	19,990,000	-	(2,150,000)	17,840,000	2,240,000
2020 Series revenue bonds premium	2,122,295	-	(486,900)	1,635,395	-
<b>Notes payable</b>					
Banc of America Public Capital Corporation	2,952,319	-	(999,099)	1,953,220	1,013,244
Flex Financial	375,854	-	(187,927)	187,927	187,927
	<u>\$ 52,178,073</u>	<u>\$ -</u>	<u>\$ (5,769,866)</u>	<u>\$ 46,408,207</u>	<u>\$ 5,256,171</u>
	2023				
	Balance June 30, 2022	Net Borrowings and Issuance Proceeds	Payments and Bond Premium Amortization During the Year	Balance June 30, 2023	Current Portion
<b>Revenue bonds</b>					
2019 Series revenue bonds	\$ 27,100,000	\$ -	\$ (1,645,000)	\$ 25,455,000	\$ 1,730,000
2019 Series revenue bonds premium	1,523,625	-	(241,020)	1,282,605	-
2020 Series revenue bonds	22,060,000	-	(2,070,000)	19,990,000	2,150,000
2020 Series revenue bonds premium	2,660,147	-	(537,852)	2,122,295	-
<b>Notes payable</b>					
Banc of America Public Capital Corporation	3,942,576	-	(990,257)	2,952,319	1,000,873
Flex Financial	563,781	-	(187,927)	375,854	187,927
	<u>\$ 57,850,129</u>	<u>\$ -</u>	<u>\$ (5,672,056)</u>	<u>\$ 52,178,073</u>	<u>\$ 5,068,800</u>

As of June 30, 2024, the District's bonds and notes payable requirements to maturity, net of unamortized premium of \$2,702,060, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,256,171	\$ 1,495,535	\$ 6,751,706
2026	5,174,976	1,308,135	6,483,111
2027	4,400,000	1,129,650	5,529,650
2028	4,575,000	958,175	5,533,175
2029	4,745,000	787,575	5,532,575
2030-2034	17,070,000	1,534,050	18,604,050
2035	2,485,000	37,275	2,522,275
	<u>\$ 43,706,147</u>	<u>\$ 7,250,395</u>	<u>\$ 50,956,542</u>

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

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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**Revenue Bonds, Series 2019** – In September 2019, the District issued \$30,500,000 of Sierra View Local Health Care District Revenue Bonds, Series 2019 (Series 2019 Bonds) to redeem the outstanding principal and interest on the Series 2010 Bonds and to fund the construction of two Rural Health Clinics and a new Distinct Part Skilled Nursing Facility within the District. The Series 2019 Bonds were issued with a premium of \$2,317,944, at rates ranging from 2.00% to 5.00%. Principal payments are due annually on July 1 and interest payments are due semi-annually on January 1 and July 1.

**Revenue Bonds, Series 2020** – In September 2020, the District issued \$24,125,000 of Sierra View Local Health Care District Revenue Bonds, Series 2020 (Series 2020 Bonds), to redeem the outstanding principal and interest on the Series 2015 Bonds. The Series 2020 Bonds were issued with a premium of \$3,748,592, at rates ranging from 4.00% to 5.00%. Principal payments are due annually on July 1 and interest payments are due semi-annually on January 1 and July 1.

**Notes payable** – This represents an equipment financing loan with Banc of America Public Capital Corporation, at a rate of 1.23%, 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. This also includes an installment note payable with Flex Financial, at a rate of .49%, to obtain medical and electronic equipment. The liability is collateralized by the leased equipment.

### **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 has an occurrence insurance policy and chose to purchase occurrence insurance policies with significant deductibles for these claims prior to July 1, 2014, and again beginning July 1, 2018. 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. Effective July 1, 2018, through June 30, 2021, and renewed through July 1, 2024, the District purchased an occurrence insurance policy, which the District plans to maintain by renewing its current policy. The District's coverage under this occurrence insurance policy is \$1,650,000 per occurrence, \$2,000,000 in the annual aggregate, and a self-insured retention level of \$350,000 per claim.

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 that, the settlement of which, if any, would have a material adverse effect on the District's net position for the years ended June 30, 2024 and 2023.

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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**Medical malpractice insurance** – The District maintains malpractice liability insurance coverage under various claims-made policies covering losses up to \$15,000,000 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:

	2024			
	Balance, June 30, 2023	Increases	Decreases	Balance, June 30, 2024
Workers’ compensation	\$ 1,465,955	\$ 1,029,916	\$ (506,871)	\$ 1,989,000
Medical malpractice	200,000	-	-	200,000
	\$ 1,665,955	\$ 1,029,916	\$ (506,871)	\$ 2,189,000
	2023			
	Balance, June 30, 2022	Increases	Decreases	Balance, June 30, 2023
Workers’ compensation	\$ 1,653,000	\$ 216,513	\$ (403,558)	\$ 1,465,955
Medical malpractice	200,000	-	-	200,000
	\$ 1,853,000	\$ 216,513	\$ (403,558)	\$ 1,665,955

### 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 \$3,391,924 and \$3,146,362 to the 401(a) plans for the years ended June 30, 2024 and 2023, 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.

## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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### **Note 9 – Disclosures About Fair Value**

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, 2024 and 2023.

**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

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**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:

	2024			Total
	Level 1	Level 2	Level 3	
Investments				
Federal agency securities	\$ 56,282,642	\$ -	\$ -	\$ 56,282,642
U.S. treasury securities	31,163,960	-	-	31,163,960
Corporate bonds	-	27,190,284	-	27,190,284
Mutual security funds	5,581,234	-	-	5,581,234
Money market funds	5,306,044	-	-	5,306,044
Equity securities	1,815,362	-	-	1,815,362
Total investments by fair value level	<u>\$ 100,149,242</u>	<u>\$ 27,190,284</u>	<u>\$ -</u>	127,339,526
Certificates of deposit				<u>41,131,984</u>
Total investments				<u>\$ 168,471,510</u>
	2023			
	Level 1	Level 2	Level 3	Total
Investments				
Federal agency securities	\$ 46,562,419	\$ -	\$ -	\$ 46,562,419
U.S. treasury securities	29,911,292	-	-	29,911,292
Corporate bonds	-	42,125,569	-	42,125,569
Mutual security funds	4,849,206	-	-	4,849,206
Money market funds	6,084,581	-	-	6,084,581
Equity securities	1,510,213	-	-	1,510,213
Total investments by fair value level	<u>\$ 88,917,711</u>	<u>\$ 42,125,569</u>	<u>\$ -</u>	131,043,280
Certificates of deposit				<u>39,569,403</u>
Total investments				<u>\$ 170,612,683</u>

As required by GASB Statement No. 72, *Fair Value Measurement and Application*, 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, 2024 and 2023, the District had recorded approximately \$3,077,000 and \$2,464,000, respectively, 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, 2024, is approximately \$2,573,000.

## **Sierra View Local Health Care District**

### **Notes to Consolidated Financial Statements**

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Funding for the various remodeling, major repair, and expansion projects comes from the board designated fund 2019 Bond Project Fund (2019 Project Fund) which is included in investments and restricted funds (see Note 3) and came from the proceeds of issuing the 2019 Series revenue bonds (see Note 6). As of June 30, 2024 and 2023, there was approximately \$31,200,000 and \$29,900,000 in the 2019 Project Fund, respectively. The 2019 Project Fund has been used to construct a Rural Health Clinic in Terra Bella, California. The District is looking to construct another Rural Health Clinic outside of Porterville, California, but within the District. Over the last few years, guidance regarding seismic safety regulations has been updated. Based on recent interpretations by the State of California, the District is confident that it can expand its current District Part Skilled Nursing Facility while maintaining the original hospital building. As such, the District is working with independent architects and structural engineers to finalize the plan which should be completed by December 2024.

**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.

**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, 2024, does not expect to incur a significant liability.



## Sierra View Local Health Care District Notes to Consolidated Financial Statements

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### Note 11 – Right-to-Use Assets and Lease Liabilities

The District is a lessee for noncancelable leases of equipment with lease terms through 2028. There are no residual value guarantees included in the measurement of the District's lease liabilities nor recognized as an expense for the years ended June 30, 2024 and 2023. The District does not have any commitments that were incurred at the commencement of the leases. The District is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the consolidated statements of revenues, expenses and changes in net position for the years ended June 30, 2024 and 2023. No termination penalties were incurred during the fiscal year.

	Balance as of July 1, 2023	Increases	Decreases	Balance as of June 30, 2024
Right-to-use assets	\$ 1,074,051	\$ -	\$ -	\$ 1,074,051
Less accumulated amortization	495,766	154,969	-	650,735
Right-to-use assets, net	<u>\$ 578,285</u>	<u>\$ (154,969)</u>	<u>\$ -</u>	<u>\$ 423,316</u>

	Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023
Right-to-use assets	\$ 596,397	\$ 477,654	\$ -	\$ 1,074,051
Less accumulated amortization	325,331	170,435	-	495,766
Right-to-use assets, net	<u>\$ 271,066</u>	<u>\$ 307,219</u>	<u>\$ -</u>	<u>\$ 578,285</u>

For the years ended June 30, 2024 and 2023, the District recognized \$154,969 and \$170,435, respectively, in amortization expense included in depreciation and amortization expense on the consolidated statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2024, were as follows:

Years Ending June 30,	Principal Payments	Interest Payments	Total
2025	\$ 141,812	\$ 23,394	\$ 165,206
2026	137,821	15,135	152,956
2027	130,972	6,810	137,782
2028	33,756	366	34,122
	<u>\$ 444,361</u>	<u>\$ 45,705</u>	<u>\$ 490,066</u>

The District evaluated the right-to-use assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023.

## Sierra View Local Health Care District

### Notes to Consolidated Financial Statements

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The District is also a lessor for noncancelable leases of office space with lease terms through 2028. For the years ended June 30, 2024 and 2023, the District recognized \$578,687 and \$527,910, respectively, in lease revenue released from the deferred inflows of resources related to the office leases included in other revenue on the consolidated statements of revenues, expenses, and changes in net position. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during fiscal years ended June 30, 2024 and 2023.

#### Note 12 – Subscription-Based Information Technology Arrangements

The District has the following subscription assets, net activity as of June 30:

	Balance as of July 1, 2023	Increases	Decreases	Balance as of June 30, 2024
Subscription assets	\$ 6,014,557	\$ 384,969	\$ -	\$ 6,399,526
Less accumulated amortization	2,319,397	1,393,167	-	3,712,564
Subscription assets, net	<u>\$ 3,695,160</u>	<u>\$ (1,008,198)</u>	<u>\$ -</u>	<u>\$ 2,686,962</u>

  

	Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023
Subscription assets	\$ 6,014,557	\$ -	\$ -	\$ 6,014,557
Less accumulated amortization	1,052,238	1,267,159	-	2,319,397
Subscription assets, net	<u>\$ 4,962,319</u>	<u>\$ (1,267,159)</u>	<u>\$ -</u>	<u>\$ 3,695,160</u>

For the years ended June 30, 2024 and 2023, the District recognized \$1,393,167 and \$1,267,159, respectively, in amortization expense included in depreciation and amortization expense on the consolidated statements of revenues, expenses, and changes in net position.

The future subscription payments as of June 30, 2024, were as follows:

<u>Years Ending June 30,</u>	Principal Payments	Interest Payments	Total
2025	\$ 1,242,727	\$ 102,297	\$ 1,345,024
2026	862,754	54,616	917,370
2027	350,609	27,748	378,357
2028	327,878	13,114	340,992
2029	112,608	1,058	113,666
	<u>\$ 2,896,576</u>	<u>\$ 198,833</u>	<u>\$ 3,095,409</u>

The District evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023.

## **Sierra View Local Health Care District Notes to Consolidated Financial Statements**

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### **Note 13 – 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.

## **Supplementary Information**

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**Sierra View Local Health Care District**  
**Consolidating Statements of Net Position**  
**June 30, 2024**

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 23,036,803	\$ 401,129	\$ -	\$ 23,437,932
Short-term investments and restricted funds	5,280,017	-	-	5,280,017
Patient accounts receivable, net of allowances for doubtful accounts of \$23,546,275	23,814,993	-	-	23,814,993
Other receivables	18,250,178	-	-	18,250,178
Current maturities of lease receivable	314,237	-	-	314,237
Inventories	4,290,652	-	-	4,290,652
Prepaid expenses and deposits	2,321,404	-	-	2,321,404
<b>Total current assets</b>	<b>77,308,284</b>	<b>401,129</b>	<b>-</b>	<b>77,709,413</b>
<b>Long-term investments and restricted funds</b>				
Investment in securities	159,899,321	-	-	159,899,321
Right-to-use assets, net of amortization	-	3,292,172	-	3,292,172
Subscription assets, net of amortization	423,316	-	-	423,316
Other assets	2,686,962	-	-	2,686,962
Lease receivables, net of current maturities	250,000	-	-	250,000
Capital assets	978,654	-	-	978,654
Nondepreciable	11,408,812	-	-	11,408,812
Depreciable, net of accumulated depreciation	66,405,741	-	-	66,405,741
<b>Total capital assets</b>	<b>77,814,553</b>	<b>-</b>	<b>-</b>	<b>77,814,553</b>
<b>Total assets</b>	<b>\$ 319,361,090</b>	<b>\$ 3,693,301</b>	<b>\$ -</b>	<b>\$ 323,054,391</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Advance refunding of bonds payable, net	\$ 1,510,532	\$ -	\$ -	\$ 1,510,532
<b>Total deferred outflows of resources</b>	<b>\$ 1,510,532</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,510,532</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bond interest payable	\$ 783,700	\$ -	\$ -	\$ 783,700
Current maturities of bonds payable	4,055,000	-	-	4,055,000
Current maturities of notes payable	1,201,171	-	-	1,201,171
Current maturities of lease liabilities	141,812	-	-	141,812
Current maturities of subscription liabilities	1,242,727	-	-	1,242,727
Accounts payable and accrued expenses	6,323,588	-	-	6,323,588
Accrued payroll and related costs	8,559,820	-	-	8,559,820
Estimated third-party payor settlements	3,656,945	-	-	3,656,945
<b>Total current liabilities</b>	<b>25,964,763</b>	<b>-</b>	<b>-</b>	<b>25,964,763</b>
Self-insurance reserves	2,189,000	-	-	2,189,000
Bonds payable, less current maturities	40,212,060	-	-	40,212,060
Notes payable, less current maturities	939,976	-	-	939,976
Lease liabilities, less current maturities	302,549	-	-	302,549
Subscription liabilities, less current maturities	1,653,849	-	-	1,653,849
<b>Total liabilities</b>	<b>\$ 71,262,197</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,262,197</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - leases	\$ 1,223,916	\$ -	\$ -	\$ 1,223,916
<b>Total deferred inflows of resources</b>	<b>\$ 1,223,916</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,223,916</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 64,823,608	\$ -	\$ -	\$ 64,823,608
Restricted - expendable	5,235,521	562,176	-	5,797,697
Restricted - nonexpendable	-	462,448	-	462,448
Unrestricted	178,326,380	2,668,677	-	180,995,057
<b>Total net position</b>	<b>\$ 248,385,509</b>	<b>\$ 3,693,301</b>	<b>\$ -</b>	<b>\$ 252,078,810</b>

**Sierra View Local Health Care District**  
**Consolidating Statements of Net Position (Continued)**  
**June 30, 2023**

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 13,343,218	\$ 327,119	\$ -	\$ 13,670,337
Short-term investments and restricted funds	5,823,737	-	-	5,823,737
Patient accounts receivable, net of allowances for doubtful accounts of \$27,741,802	25,987,737	-	-	25,987,737
Other receivables	15,676,671	-	-	15,676,671
Current maturities of lease receivable	341,565	-	-	341,565
Inventories	4,017,960	-	-	4,017,960
Prepaid expenses and deposits	2,382,978	-	-	2,382,978
<b>Total current assets</b>	<b>67,573,866</b>	<b>327,119</b>	<b>-</b>	<b>67,900,985</b>
<b>Long-term investments and restricted funds</b>				
Investment in securities	161,896,139	-	-	161,896,139
Right-to-use assets, net of amortization	-	2,892,807	-	2,892,807
Subscription assets, net of amortization	578,285	-	-	578,285
Other assets	3,695,160	-	-	3,695,160
Lease receivables, net of current maturities	250,000	-	-	250,000
Capital assets	1,408,591	-	-	1,408,591
Nondepreciable	10,795,641	-	-	10,795,641
Depreciable, net of accumulated depreciation	74,343,045	-	-	74,343,045
<b>Total capital assets</b>	<b>85,138,686</b>	<b>-</b>	<b>-</b>	<b>85,138,686</b>
<b>Total assets</b>	<b>\$ 320,540,727</b>	<b>\$ 3,219,926</b>	<b>\$ -</b>	<b>\$ 323,760,653</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Advance refunding of bonds payable, net	\$ 1,762,288	\$ -	\$ -	\$ 1,762,288
<b>Total deferred outflows of resources</b>	<b>\$ 1,762,288</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,762,288</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bond interest payable	\$ 869,950	\$ -	\$ -	\$ 869,950
Current maturities of bonds payable	3,880,000	-	-	3,880,000
Current maturities of notes payable	1,188,800	-	-	1,188,800
Current maturities of lease liabilities	145,470	-	-	145,470
Current maturities of subscription liabilities	1,272,203	-	-	1,272,203
Accounts payable and accrued expenses	5,770,930	-	-	5,770,930
Accrued payroll and related costs	7,356,961	-	-	7,356,961
Estimated third-party payor settlements	3,155,270	-	-	3,155,270
<b>Total current liabilities</b>	<b>23,639,584</b>	<b>-</b>	<b>-</b>	<b>23,639,584</b>
Self-insurance reserves	1,665,955	-	-	1,665,955
Bonds payable, less current maturities	44,969,900	-	-	44,969,900
Notes payable, less current maturities	2,139,373	-	-	2,139,373
Lease liabilities, less current maturities	444,361	-	-	444,361
Subscription liabilities, less current maturities	2,616,968	-	-	2,616,968
<b>Total liabilities</b>	<b>\$ 75,476,141</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,476,141</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - leases	\$ 1,691,983	\$ -	\$ -	\$ 1,691,983
<b>Total deferred inflows of resources</b>	<b>\$ 1,691,983</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,691,983</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 66,051,555	\$ -	\$ -	\$ 66,051,555
Restricted - expendable	5,003,719	436,120	-	5,439,839
Restricted - nonexpendable	-	462,448	-	462,448
Unrestricted	174,079,617	2,321,358	-	176,400,975
<b>Total net position</b>	<b>\$ 245,134,891</b>	<b>\$ 3,219,926</b>	<b>\$ -</b>	<b>\$ 248,354,817</b>

**Sierra View Local Health Care District**  
**Consolidating Statements of Revenues, Expenses, and**  
**Changes in Net Position**  
**Year Ended June 30, 2024**

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
<b>Operating revenues</b>				
Net patient service revenue, net of provision for bad debts of \$4,884,098	\$ 156,856,156	\$ -	\$ -	\$ 156,856,156
Other operating revenue	8,322,016	-	-	8,322,016
<b>Total operating revenues</b>	<b>165,178,172</b>	<b>-</b>	<b>-</b>	<b>165,178,172</b>
<b>Operating expenses</b>				
Salaries and wages	75,812,800	-	-	75,812,800
Supplies	24,875,843	-	-	24,875,843
Professional fees	17,714,239	-	-	17,714,239
Employee benefits	18,015,717	-	-	18,015,717
Depreciation and amortization	12,054,551	-	-	12,054,551
Purchased services	10,648,295	-	-	10,648,295
Other operating expenses	4,130,671	239,966	-	4,370,637
Repairs and maintenance	2,910,899	-	-	2,910,899
Utilities	3,041,101	-	-	3,041,101
Building and equipment rent	416,893	-	-	416,893
Insurance	1,455,611	-	-	1,455,611
<b>Total operating expenses</b>	<b>171,076,620</b>	<b>239,966</b>	<b>-</b>	<b>171,316,586</b>
<b>Loss from operations</b>	<b>(5,898,448)</b>	<b>(239,966)</b>	<b>-</b>	<b>(6,138,414)</b>
<b>Nonoperating revenues (expenses)</b>				
District tax revenues	1,670,181	-	-	1,670,181
Investment return	4,042,664	80,825	-	4,123,489
Net increase in the fair value of investments	4,313,592	342,840	-	4,656,432
Interest expense	(1,088,342)	-	-	(1,088,342)
Other nonoperating expenses	(442,054)	-	-	(442,054)
Other nonoperating revenue	653,025	-	-	653,025
Noncapital grants and contributions	-	289,676	-	289,676
<b>Total nonoperating revenues</b>	<b>9,149,066</b>	<b>713,341</b>	<b>-</b>	<b>9,862,407</b>
<b>Increase in net position</b>	<b>3,250,618</b>	<b>473,375</b>	<b>-</b>	<b>3,723,993</b>
<b>Net position, beginning of year</b>	<b>245,134,891</b>	<b>3,219,926</b>	<b>-</b>	<b>248,354,817</b>
<b>Net position, end of year</b>	<b>\$ 248,385,509</b>	<b>\$ 3,693,301</b>	<b>\$ -</b>	<b>\$ 252,078,810</b>

**Sierra View Local Health Care District**  
**Consolidating Statements of Revenues, Expenses, and**  
**Changes in Net Position (Continued)**  
**Year Ended June 30, 2023**

	Sierra View Medical Center	Sierra View District Hospital Foundation	Eliminations	Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of \$4,263,560	\$ 146,077,836	\$ -	\$ -	\$ 146,077,836
Other operating revenue	8,696,133	-	(75,000)	8,621,133
Total operating revenues	<u>154,773,969</u>	<u>-</u>	<u>(75,000)</u>	<u>154,698,969</u>
Operating expenses				
Salaries and wages	70,678,032	-	-	70,678,032
Supplies	24,359,504	-	-	24,359,504
Professional fees	24,326,026	-	-	24,326,026
Employee benefits	16,963,074	-	-	16,963,074
Depreciation and amortization	12,164,241	-	-	12,164,241
Purchased services	10,264,397	-	-	10,264,397
Other operating expenses	4,550,414	200,013	(75,000)	4,675,427
Repairs and maintenance	2,722,368	-	-	2,722,368
Utilities	2,988,570	-	-	2,988,570
Building and equipment rent	473,876	-	-	473,876
Insurance	1,318,288	-	-	1,318,288
Total operating expenses	<u>170,808,790</u>	<u>200,013</u>	<u>(75,000)</u>	<u>170,933,803</u>
Loss from operations	<u>(16,034,821)</u>	<u>(200,013)</u>	<u>-</u>	<u>(16,234,834)</u>
Nonoperating revenues (expenses)				
District tax revenues	1,517,886	-	-	1,517,886
Investment return	3,326,351	172,697	-	3,499,048
Net (decrease) increase in the fair value of investments	(2,353,704)	198,757	-	(2,154,947)
Interest expense	(1,243,803)	-	-	(1,243,803)
Other nonoperating expenses	(453,451)	-	-	(453,451)
Other nonoperating revenue	1,548,972	-	-	1,548,972
Noncapital grants and contributions	-	108,011	-	108,011
Total nonoperating revenues	<u>2,342,251</u>	<u>479,465</u>	<u>-</u>	<u>2,821,716</u>
(Decrease) increase in net position	(13,692,570)	279,452	-	(13,413,118)
Net position, beginning of year	<u>258,827,461</u>	<u>2,940,474</u>	<u>-</u>	<u>261,767,935</u>
Net position, end of year	<u>\$ 245,134,891</u>	<u>\$ 3,219,926</u>	<u>\$ -</u>	<u>\$ 248,354,817</u>



