

Mayers Memorial Hospital District

Financial Statements and
Supplementary Information

Years Ended June 30, 2023 and 2022



Independent Auditor's Report

Board of Directors
Mayers Memorial Hospital District
Fall River Mills, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mayers Memorial Hospital District (the "District"), which comprise the statements of net position as of June 30, 2023 and 2022, and the statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 financial statements in accordance with GAAP, 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 the 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 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 *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96 - *Subscription-Based-Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

GAAP requires that a management's discussion and analysis on pages 4 through 8, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and the notes to the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Spokane, Washington
January 18, 2024

Mayers Memorial Hospital District

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

Introduction

Mayers Memorial Hospital District (the "District"), offers readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements, including the notes thereto.

The District is a nonprofit, municipal corporation that operates an acute-care hospital, a long-term care unit, hospice, and an ambulance company. The District is licensed for 16 hospital beds, 99 long-term care beds including 21 beds in the Alzheimer's Dementia Care Unit (ADCU). The hospital services include 24-hour emergency care, radiology, lab, outpatient services, cardiac rehabilitation, surgery, physical therapy and a rural health clinic. The District serves a large geographic region that is roughly 35 miles in all directions; encompasses portions of Lassen, Shasta, and Modoc Counties; and has a population of approximately 10,000.

The District was established in November 1969 with a 10-bed facility in Fall River Mills, California. Additions to the facility were built in 1973, 1984, and 2020. The long-term care facility was expanded in 1994 with the addition of a site in Burney, California, which includes the ADCU. In August 2020, the District opened a Rural Health Clinic on the Burney site.

The District is designated as a critical access hospital (CAH). CAH status has had and continues to have a favorable impact on the District's finances in as much as CAH Medicare and Medi-Cal reimbursement are cost-based and therefore typically higher than what the District would otherwise receive under prospective payment system (PPS) reimbursement methodology. The District receives property tax revenue on assessed property within the District's boundaries to support operations. During the years ended June 30, 2023 and 2022, the District received property tax revenue of \$1,151,416 and \$1,457,463, respectively.

The District is governed by a five-member elected Board of Directors. Day-to-day operations are managed by the Chief Executive Officer. The District employed 254 employees on June 30, 2023, and had an annual payroll of \$17.9 million, not including benefits.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements. The financial statements comprise the statements of net position; revenues, expenses, and changes in net position; and cash flows. The financial statements also include notes to the financial statements, which explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the District's finances.

Mayers Memorial Hospital District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023 and 2022

Required Financial Statements

The District's financial statements report information of the District using accounting methods similar to those used by private-sector healthcare organizations. These statements offer short-term and long-term information about its activities. The statements of net position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the revenue and expenses for the years ended June 30, 2023 and 2022, are accounted for in the statements of revenues, expenses, and changes in net position. These statements can be used to determine whether the District has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final required statements are the statements of cash flows, which report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights Executive Overview

The District's financial performance exceeded administration's expectations as fiscal 2023 ended, with an excess of revenue over expenses of \$4,228,000. The gain was driven largely by an increase in net patient and resident service revenue.

- The District's total revenue from operations was \$46,937,000 in 2023 and \$40,832,000 in 2022.
- The District's gain from operations was \$3,331,000 in 2023 and \$210,000 in 2022.
- During 2023 and 2022, excess of revenue over expenses totaled \$4,228,000 and \$1,777,000 respectively.
- During 2023 and 2022, nonoperating revenue net of expenses totaled \$896,000 and \$1,567,000, respectively.

Mayers Memorial Hospital District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023 and 2022

Financial Analysis of the District

The statements of net position and the statements of revenues, expenses, and changes in net position report the net position of the District and the changes in net position. The District's net position, the difference between assets and liabilities, is a way to measure the financial health or financial position of an organization. Over time, sustained increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

Condensed Statements of Net Position (In Thousands)

<i>June 30,</i>	2023	2022	Change 2023-2022
Other assets	\$ 36,291	\$ 35,001	\$ 1,290
Capital assets	33,190	31,450	1,740
Total assets	\$ 69,481	\$ 66,451	\$ 3,030
Other liabilities	\$ 2,829	\$ 3,824	\$ (995)
Long-term liabilities	23,818	24,020	(202)
Total liabilities	26,647	27,844	(1,197)
Net position:			
Net investment in capital assets	9,363	7,335	2,028
Restricted	2,949	2,397	552
Unrestricted	30,522	28,875	1,647
Total net position	42,834	38,607	4,227
Total liabilities and net position	\$ 69,481	\$ 66,451	\$ 3,030

The District's net position reflects an increase that is caused primarily by an increase in net patient and resident service revenue.

- Current assets increased by approximately \$1,290,000 in 2023 and \$1,935,000 in 2022.
- Noncurrent assets consist mostly of capital assets, debt service reserve, and cash set aside to meet borrowing agreements. Noncurrent assets increased by \$2,355,252 in 2023 due to building improvement projects.

Mayers Memorial Hospital District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023 and 2022

Financial Analysis of the District (Continued)

The following table presents a summary of the statements of revenues, expenses, and changes in net position:

Condensed Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)

Years Ended June 30,	2023	2022	Change 2023-2022
Operating revenue:			
Net patient and resident service revenue	\$ 42,587	\$ 38,331	\$ 4,256
Other operating revenue	4,349	2,501	1,848
Total operating revenue	46,936	40,832	6,104
Operating expenses:			
Salaries and wages	17,949	15,269	2,680
Employee benefits	4,433	4,600	(167)
Professional fees and purchased services	10,188	11,372	(1,184)
Supplies	5,730	5,315	415
Insurance	506	403	103
Other operating expenses	2,931	1,945	986
Depreciation	1,868	1,719	149
Total operating expenses	43,605	40,623	2,982
Gain from operations	3,331	209	3,122
Nonoperating revenue - Net	896	1,567	(671)
Increase in net position	4,227	1,776	2,451
Net position at beginning of year	38,607	36,830	1,777
Net position at end of year	\$ 42,834	\$ 38,607	\$ 4,227

Salaries, wages, and benefits increased in 2023 by 17.6% due to across-the-board wage increases. In the prior year, salaries and benefits increased by 6.0%. The total number of full-time equivalent employees was approximately 254 in 2023 and 224 in 2022.

Total operating expenses increased by 7.3% compared with the previous year's increase of 19.6%. This was due primarily to an increase in salaries and benefits by roughly \$2,513,000 as a result of competitive wage scale adjustments. In addition, supplies expense increased by roughly \$415,000 due to the increased cost of supplies and higher volumes causing a higher supply usage.

Mayers Memorial Hospital District

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023 and 2022

Financial Analysis of the District (Continued)

Capital asset activity included purchases related to the building improvement projects related to the District's acute care and emergency facilities in the amount of \$3,015,967 and \$3,016,000, for each of the years ended June 30, 2023 and 2022, respectively.

Long-term debt activity included closing the USDA loan that refunded existing debt and new borrowing to finance capital construction and equipment purchases for each of the years ended June 30, 2023 and 2022.

Items Affecting Operations

The challenges facing the District this fiscal period are largely similar to those issues facing the healthcare industry in general and small rural hospitals in particular. Immediate environmental circumstances uniquely influencing the District are highlighted below:

- Reimbursement: Medicare and Medi-Cal programs continue to look for ways to reduce reimbursement.
- Possible state legislation to cap charge increases on an annual basis, a bill to introduce a single-payor system in California, as well as a bill to make healthcare minimum wage 25 dollars an hour.
- Indigent and uncompensated care: High uncompensated care continues to grow as eligibility requirements are raised for government-funded programs.
- Labor: Nursing and some technician positions continue to be difficult to recruit and retain.
- Contract Labor: Increased over three million dollars given the staffing shortages exacerbated due to COVID.
- COVID-19: The full impact of COVID-19 remains unknown and cannot be reasonably estimated.

In summary, the external environment continues to challenge small rural hospitals amidst continued declines in reimbursement, increases in uncompensated care, and ongoing labor and health insurance issues. Furthermore, the District and its employees are working together to improve the clinical care and service provided to its patients and community, while striving to improve its financial position and overall fiscal performance.

Contacting the District's Finance Management

This financial report provides the District's patients, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and shows the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Mayers Memorial Hospital District
PO Box 459
Fall River Mills, CA 96028

Mayers Memorial Hospital District

Statements of Net Position

<i>June 30,</i>	2023	2022
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 25,620,907	\$ 24,585,520
Restricted, available for current debt service	80,423	144,403
Cash held in trust for others	30,794	24,390
Receivables:		
Patient and resident accounts, net of contractual allowances and discounts	5,101,205	5,217,209
Other	33,240	49,391
Estimated third-party payor settlements	630,595	1,388,748
Inventories	671,789	619,403
Prepaid expenses	1,253,832	718,863
Total current assets	33,422,785	32,747,927
Noncurrent assets:		
Restricted cash, net of amount available for current debt reserve	2,868,442	2,252,984
Capital assets - Nondepreciable	1,166,417	4,622,453
Capital assets - Net of accumulated depreciation	32,023,344	26,827,514
Total noncurrent assets	36,058,203	33,702,951
TOTAL ASSETS	\$ 69,480,988	\$ 66,450,878

Mayers Memorial Hospital District

Statements of Net Position (Continued)

<i>June 30,</i>	2023	2022
Current liabilities:		
Accounts payable	\$ 1,234,561	\$ 2,597,097
Accrued expenses	1,562,136	1,201,867
Current portion of bonds payable	611,555	599,258
Current portion of subscription-based liability	35,092	-
Current portion of lease obligation	27,035	24,667
Balances held in trust for others	30,794	24,390
Total current liabilities	3,501,173	4,447,279
Noncurrent liabilities:		
Bonds and accreted interest, less current portion	23,070,625	23,323,604
Subscription-based liability, less current portion	55,554	-
Lease obligation, less current portion	18,460	72,530
Total noncurrent liabilities	23,144,639	23,396,134
Total liabilities	26,645,812	27,843,413
Net position:		
Net investment in capital assets	9,364,045	7,335,509
Restricted	2,948,865	2,397,387
Unrestricted	30,522,266	28,874,569
Total net position	42,835,176	38,607,465
TOTAL LIABILITIES AND NET POSITION	\$ 69,480,988	\$ 66,450,878

Mayers Memorial Hospital District

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30,	2023	2022
Operating revenue:		
Net patient and resident service revenue	\$ 42,587,019	\$ 38,330,749
Other operating income	4,349,574	2,501,597
Total operating revenue	46,936,593	40,832,346
Operating expenses:		
Salaries and wages	17,949,404	15,268,707
Employee benefits	4,432,509	4,600,333
Professional fees	1,605,403	2,083,211
Supplies	5,730,456	5,315,224
Purchased services	8,582,599	9,288,747
Repairs and maintenance	454,309	499,833
Rents and leases	121,125	45,944
Utilities	1,009,858	559,871
Insurance	506,002	402,550
Other	1,345,055	839,653
Depreciation	1,868,498	1,718,528
Total operating expenses	43,605,218	40,622,601
Gain from operations	3,331,375	209,745
Nonoperating revenue (expenses):		
Property taxes	1,151,416	1,457,463
Grants and contributions	419,373	1,012,915
Interest income	334,446	61,476
Interest expense	(1,008,899)	(964,816)
Net nonoperating revenue	896,336	1,567,038
Increase in net position	4,227,711	1,776,783
Net position - Beginning of year	38,607,465	36,830,682
Net position - End of year	\$ 42,835,176	\$ 38,607,465

Mayers Memorial Hospital District

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash flows from operating activities:		
Receipts from and on behalf of patients and residents	\$ 43,461,176	\$ 36,102,932
Receipts from other operating revenue	4,365,725	2,515,467
Payments to employees	(17,589,135)	(15,169,474)
Payments to suppliers, contractors, and others	(25,738,198)	(24,226,235)
Net cash provided by (used in) operating activities	4,499,568	(777,310)
Cash flows from noncapital financing activities:		
Property taxes	1,151,416	1,457,463
Cash received from grants and contributions	365,592	1,145,983
Net cash provided by noncapital financing activities	1,517,008	2,603,446
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,928,971)	(1,713,268)
Proceeds from debt issuance	110,187	691,306
Principal payments on debt	(500,960)	(457,494)
Interest paid on debt	(800,323)	(779,183)
Proceeds from sale of assets	362,314	-
Net cash used in capital and related financing activities	(4,757,753)	(2,258,639)
Cash flows from investing activities - Interest received	334,446	61,476
Net increase (decrease) in cash and cash equivalents	1,593,269	(371,027)
Cash and cash equivalents - Beginning of year	27,007,297	27,378,324
Cash and cash equivalents - End of year	\$ 28,600,566	\$ 27,007,297

Mayers Memorial Hospital District

Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2023	2022
Reconciliation of gain from operations to net cash provided by operating activities:		
Gain from operations	\$ 3,331,375	\$ 209,745
Adjustments to reconcile gain from operations to net cash provided by (used in) operating activities:		
Depreciation	1,868,498	1,718,528
Provision for bad debts	725,855	863,460
Changes in assets and liabilities:		
Patient and resident accounts receivable	(609,851)	(2,234,209)
Other accounts receivable	16,151	13,867
Estimated third-party payor settlements	758,153	(857,068)
Inventories	(52,386)	61,987
Prepaid expenses	(534,969)	(221,170)
Accounts payable	(1,369,931)	(429,579)
Accrued expenses	360,269	99,233
Balances held in trust for others	6,404	(2,106)
Total adjustments	1,168,193	(987,057)
Net cash provided by (used in) operating activities	\$ 4,499,568	\$ (777,310)

Mayers Memorial Hospital District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Mayers Memorial Hospital District (the "District") is a political subdivision of the State of California, organized under Local Healthcare District Law, as set forth in the Health and Safety Code of the state of California. The District operates a community hospital, long-term care unit, hospice, and ambulance service located in Fall River Mills, California, that provide healthcare services to residents of the surrounding communities and visitors to the area. The District derives a significant portion of revenue from third-party payors, including Medicare, Medi-Cal, and commercial insurance organizations.

The District maintains its financial records in conformity with guidelines set forth by Local Healthcare District Law and the Office of Statewide Health Planning and Development of the State of California.

Method of Accounting

The District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Basis of Accounting

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

Use of Estimates in Preparation of Financial Statements

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

The District considers significant accounting estimates to be those which require significant judgments and include the valuation of accounts receivable, including contractual allowances, allowance for doubtful accounts, the estimated third-party payor settlements, and the valuation of lost revenues calculated to recognize revenue from grant programs.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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

The District maintains a portion of its cash in the Shasta County Treasury as part of the common investment pool. The County is restricted by CGC, Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state-registered warrants, notes, bonds, state treasurer's investment pool, bankers' acceptances, commercial paper, negotiable CDs, and repurchase or reverse repurchase agreements. Investments in the county pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2023, the fair value of the county pool is 99% of the carrying value and is deemed not to represent a material difference. Information regarding the amount of dollars invested in derivatives with the county was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by CGC, Section 27130, and is not a registered investment company with the U.S. Securities and Exchange Commission. The District is considered to be an involuntary participant in the external investment pool.

Patient and Resident Receivables and Credit Policy

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

Patient and resident receivables are recorded in the accompanying statements of net position, net of contractual adjustments and an allowance for doubtful accounts, which reflects management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient and resident receivables. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients or residents and amounts patients or residents are personally responsible for, through a reduction of gross revenue and a credit to a valuation allowance.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Receivables and Credit Policy (Continued)

In evaluating the collectibility of patient and resident receivables, the District analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients or residents who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts that the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients or residents (which includes both patients or residents without insurance and patients or residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients or residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged to allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value.

Capital Assets and Depreciation

Capital assets are recorded at cost if purchased or estimated acquisition value at the date received if contributed. The District maintains a threshold level of a unit or group cost of \$5,000 or more for capitalizing capital assets. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Estimated useful lives range from 5 to 25 years for land improvements and buildings and fixed equipment, 2 to 20 years for major moveable equipment, and 3 to 5 years for computer software.

Accrued Compensated Absences

District employees earn vacation, sick, and holiday leave (PTO) in varying amounts based on length of service. Accumulated PTO benefits are paid to an employee, if the employee leaves, either upon termination or retirement. Liabilities for PTO and salary-related payments, including Social Security taxes, are recorded when incurred. Accrued PTO benefits, which are recorded in accrued expenses on the statements of net position, totaled \$956,340 and \$841,754 as of June 30, 2023 and 2022, respectively.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position is reported in three categories:

Net investment in capital assets: This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.

Restricted: This category consists of noncapital assets whose use is restricted, reduced by liabilities, and deferred inflows of resources related to those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This category consists of the remaining net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

Net Patient and Resident Service Revenue

The District recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. 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.

Tax Revenue

The District has the authority to impose taxes on property within the boundaries of the healthcare district. Taxes are received from the county, which bills and collects the taxes for the District. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments, due on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

Shasta County is responsible for assessing, collecting, and apportioning property taxes on behalf of the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Tax Revenue (Continued)

Secured property taxes are recorded as revenue, when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The amount of property tax received is dependent on the assessed real property valuations as determined by the Shasta County assessor. The District received approximately 1.9% and 2.6% of its financial support in 2023 and 2022, respectively, from property taxes.

Operating Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services, the District's principal activity. Nonexchange revenue, including taxes and donations received for purposes other than capital asset acquisition, is reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Charity Care

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

Grants and Contributions

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

Unemployment Compensation

The 1971 session of California's legislature extended unemployment insurance protection to public employers. Each entity has the right to elect to pay the regular quarterly employer tax on covered wages or to reimburse the Unemployment Compensation Fund for actual claims paid to its former employees for unemployment.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unemployment Compensation (Continued)

The District has elected to pay quarterly employer tax on covered wages for the years ended June 30, 2023 and 2022.

Recently Adopted Accounting Pronouncement

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The statement will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The District adopted this guidance for the year ended June 30, 2023. The adoption of this guidance did not affect beginning net position and, accordingly, restatement of beginning July 1, 2021, net position was not necessary.

Note 2: Reimbursement Arrangements With Third-Party Payors

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

Hospital

Medicare - The District is designated as a CAH. Under this designation, inpatient, outpatient, and swing bed services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain lab and mammography services, which are reimbursed based on fee schedules.

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

Nursing Facility

Medicare - Medicare pays the skilled nursing facility for Part A services based on a predetermined rate per resident day, which varies depending on a resident's level of care and the types of services provided.

Medi-Cal - Long-term care services are reimbursed at a daily rate, which is adjusted annually. The District also applies for and receives supplemental reimbursement for its Distinct Part Nursing Facility (DPNF). The supplemental reimbursement is based on a cost-reimbursement methodology.

Mayers Memorial Hospital District

Notes to Financial Statements

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

Others

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

Accounting for Contractual Arrangements

The District is reimbursed for certain cost-reimbursable items at an interim rate, and final settlements are determined after an audit or desk review of the District's related annual cost reports by the Medicare Administrative Contractor (MAC) and Medi-Cal. Estimated provisions to approximate the final expected settlements are included in the accompanying financial statements. The District's cost reports have been final settled by the MAC and Medi-Cal through June 30, 2019.

Compliance

The healthcare 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 healthcare program participation requirements, reimbursement for patient services, and billing regulations. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. While no significant regulatory inquiries have been made of the District, 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.

The Centers for Medicare & Medi-Cal Services (CMS) uses recovery audit contractors (RAC) as part of CMS's efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to healthcare providers and not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of June 30, 2023, the District had not been notified by the RAC of any potential significant reimbursement adjustments.

Note 3: Cash and Cash Equivalents

Custodial Credit Risk - The risk that, in the event of a bank failure, the District's deposits might not be recovered. The District has a collateralization agreement with the bank that mitigates custodial credit risk. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the District had a bank balance of \$29,164,079. Of this balance, \$8,346,734 is insured by the FDIC and \$8,096,734 is held in the investment portfolio of the Local Agency Investment Fund (LAIF) and is fully collateralized by the California Government Code (CGC). The remaining amount not covered is subject to risk of bank failure.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents (Continued)

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

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits its investment portfolio to the LAIF guidelines promulgated by the California Debt and Investment Advisory Commission, with the following exceptions:

- Equity mutual fund investments may not exceed 20% of the total portfolio.
- At least 75% of equity investments must be U.S. equities; the remaining 25% may be international.
- At least 75% of equity investments must be large cap growth or value; the remaining 25% may be invested in small cap or mid cap.
- All equity investments are not to exceed 25% in any one mutual fund.

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

Concentration of Credit Risk - CGC limits the purchase of certain investments to defined percentages of the investment portfolio.

The District adopted and uses California Health and Safety Code, Section 32127 (the "Code") as its policy for limitation on instruments of investment. The Code authorizes investments in obligations of the U.S. Treasury, commercial paper, bankers' acceptances, repurchase agreements, and LAIF, which is a pooled investment fund held at the California treasurer's office, among other investments.

Cash and cash equivalents consisted of the following:

<i>June 30,</i>	2023	2022
Demand deposits	\$ 20,501,751	\$ 5,187,773
Cash on hand	2,080	2,080
LAIF	8,096,735	21,817,444
Totals	\$ 28,600,566	\$ 27,007,297

Mayers Memorial Hospital District

Notes to Financial Statements

Note 3: Cash and Cash Equivalents (Continued)

The composition of cash and cash equivalents consisted of the following:

<i>June 30,</i>	2023	2022
Current:		
Unrestricted cash and cash equivalents	\$ 25,620,907	\$ 24,588,020
Cash held in trust for others	30,794	24,390
Noncurrent:		
Restricted for debt service, net of current amount	2,948,865	2,394,887
Totals	\$ 28,600,566	\$ 27,007,297

Restricted for Debt Service

The restricted debt service reserve fund is required by the United States Department of Agriculture (USDA) debt agreements, as discussed at Note 8.

Cash Held in Trust for Others

Current cash and cash equivalents include assets held in trust for others, which consisted of cash held for patients and the employee relief fund.

Note 4: Patient and Resident Accounts Receivable

Patient and resident accounts receivable, net of contractual allowances and discounts consisted of the following:

<i>June 30,</i>	2023	2022
Patient and resident accounts receivable:		
Medicare	\$ 2,572,734	\$ 2,970,542
Medi-Cal	2,867,046	2,006,867
Commercial and other	2,006,165	3,520,472
Self-pay	871,259	982,405
Total patient and resident accounts receivable	8,317,204	9,480,286
Less:		
Contractual adjustments	2,564,109	3,310,738
Allowance for doubtful accounts	651,890	952,339
Patient and resident accounts receivable - Net	\$ 5,101,205	\$ 5,217,209

Mayers Memorial Hospital District

Notes to Financial Statements

Note 5: Charity Care

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

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy and from applications completed by patients and their families.

The District maintains records to identify and monitor the level of charity care it provides. The amount of charges forgone for services and supplies furnished under the District's charity care policy was \$68,275 and \$42,200 for the years ended June 30, 2023 and 2022, respectively.

Note 6: Net Patient and Resident Service Revenue

Net patient and resident service revenue consisted of the following:

<i>Years Ended June 30,</i>	2023	2022
Gross patient and resident service revenue:		
Inpatient services	\$ 25,109,043	\$ 24,316,299
Outpatient services	29,220,911	28,303,852
Total gross patient and resident service revenue	54,329,954	52,620,151
Revenue deductions:		
Contractual allowances	11,017,080	13,425,942
Provision for bad debt	725,855	863,460
Total deductions	11,742,935	14,289,402
Net patient and resident service revenue	\$ 42,587,019	\$ 38,330,749

The following table reflects the percentage of gross patient and resident service revenue by payor source:

<i>Years Ended June 30,</i>	2023	2022
Medicare	40 %	40 %
Medi-Cal	42 %	38 %
Other third-party payors	16 %	20 %
Patients	2 %	2 %
Totals	100 %	100 %

Mayers Memorial Hospital District

Notes to Financial Statements

Note 7: Capital Assets

Capital assets consisted of the following:

	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Nondepreciable capital assets:					
Land	\$ 461,135	\$ -	\$ -	\$ -	\$ 461,135
Construction in progress	4,161,318	2,650,427	-	(6,106,463)	705,282
Total nondepreciable capital assets	4,622,453	2,650,427	-	(6,106,463)	1,166,417
Depreciable capital assets:					
Land improvements	3,508,717	-	-	-	3,508,717
Buildings and fixed equipment	34,135,302	428,805	(376,900)	5,270,283	39,457,489
Major moveable equipment	13,295,572	748,870	(30,700)	836,180	14,849,922
Computer software	1,246,750	-	-	-	1,246,750
Total depreciable capital assets	52,186,341	1,177,675	(407,600)	6,106,463	59,062,878
Total capital assets before depreciation	56,808,794	3,828,102	(407,600)	-	60,229,295
Total accumulated depreciation	(25,358,827)	(1,871,597)	99,067	-	(27,131,357)
Subscription-based assets	-	110,187	-	-	110,187
Accumulated amortization: SBA	-	(18,365)	-	-	(18,365)
Total subscription-base assets	-	91,822	-	-	91,822
Capital assets - Net	\$ 31,449,967	\$ 2,048,327	\$ (308,533)	\$ -	\$ 33,189,761

At June 30, 2023, construction in progress consisted primarily of building and building improvement projects, such as facility master planning, Clearwater Lodge improvements, fire alarm remodel, and a seismic wall project. Estimated costs of completion are approximately \$2.8 million for the outstanding projects. The estimated completion date for all projects is unknown at this time and the District intends to fund the projects with USDA loan proceeds.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 7: Capital Assets (Continued)

	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Nondepreciable capital assets:					
Land	\$ 461,135	\$ -	\$ -	\$ -	\$ 461,135
Construction in progress	6,983,394	2,924,599	(781,583)	(4,965,092)	4,161,318
Total nondepreciable capital assets	7,444,529	2,924,599	(781,583)	(4,965,092)	4,622,453
Depreciable capital assets:					
Land improvements	474,487	12,454	-	3,021,776	3,508,717
Buildings and fixed equipment	32,452,507	-	(179,423)	1,862,211	34,135,295
Major moveable equipment	13,155,556	78,914	-	61,109	13,295,579
Computer software	1,226,754	-	-	19,996	1,246,750
Total depreciable capital assets	47,309,304	91,368	(179,423)	4,965,092	52,186,341
Total capital assets before depreciation	54,753,833	3,015,967	(179,423)	-	56,808,794
Total accumulated depreciation	(23,686,653)	(1,718,528)	46,354	-	(25,358,827)
Capital assets - Net	\$ 31,067,180	\$ 1,297,439	\$ (914,652)	\$ -	\$ 31,449,967

Mayers Memorial Hospital District

Notes to Financial Statements

Note 8: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	June 30, 2022	Additions	Reductions	June 30, 2023	Amounts Due Within One Year
Long-term debt:					
Direct placements:					
General Obligation Bonds, 2011 Series A					
- Capital appreciation	\$ 465,886	\$ -	\$ -	\$ 465,886	\$ 150,000
General Obligation Bonds, 2011 Series A					
- Accreted interest of CAP bonds	1,221,592	208,576	-	1,430,168	-
Total direct placements	1,687,478	208,576	-	1,896,054	150,000
Direct borrowings:					
USDA bonds	20,842,000	-	(385,000)	20,457,000	396,000
Notes payable	1,393,384	-	(64,258)	1,329,126	65,555
Total direct borrowings	22,235,384	-	(449,258)	21,786,126	461,555
Total long-term debt obligations	\$ 23,922,862	\$ 208,576	\$ (449,258)	\$ 23,682,180	\$ 611,555

Mayers Memorial Hospital District

Notes to Financial Statements

Note 8: Long-Term Debt Obligations (Continued)

Long-term debt obligations consisted of the following:

	June 30, 2021	Additions	Reductions	June 30, 2022	Amounts Due Within One Year
Long-term debt:					
Direct placements:					
General Obligation Bonds, 2011 Series A					
- Capital appreciation	\$ 465,886	\$ -	\$ -	\$ 465,886	\$ 150,000
General Obligation Bonds, 2011 Series A					
- Accreted interest of CAP bonds	1,035,962	185,630	-	1,221,592	-
Total direct placements	1,501,848	185,630	-	1,687,478	150,000
Direct borrowings:					
USDA bonds	20,522,694	691,306	(372,000)	20,842,000	385,000
Paycheck Protection Program loan	-	-	-	-	-
Notes payable	1,456,371	-	(62,987)	1,393,384	64,258
Total direct borrowings	21,979,065	691,306	(434,987)	22,235,384	449,258
Total long-term debt obligations	\$ 23,480,913	\$ 876,936	\$ (434,987)	\$ 23,922,862	\$ 599,258

Mayers Memorial Hospital District

Notes to Financial Statements

Note 8: Long-Term Debt Obligations (Continued)

Scheduled principal and interest payments on bonds and notes payable are as follows:

Years Ending June 30,	Direct Placements		Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 150,000	\$ -	\$ 461,555	\$ 684,402
2025	180,000	-	476,878	669,981
2026	205,000	-	491,228	655,095
2027	230,000	-	505,605	639,759
2028	260,000	-	522,010	623,940
2029-2033	774,729	830,272	2,860,140	3,081,524
2034-2038	82,767	1,297,233	3,329,768	2,476,492
2039-2043	13,558	306,442	3,614,942	1,530,676
2044-2048	-	-	4,015,000	1,230,044
2049-2053	-	-	2,533,000	694,769
2054-2058	-	-	2,976,000	248,105
Totals	\$ 1,896,054	\$ 2,433,947	\$ 21,786,126	\$ 12,534,787

Direct placements:

General Obligation Bonds, 2011 Series A Bonds

On June 16, 2011, the District issued \$5,000,886 in General Obligation Bonds, 2010 Election, 2011 Series A (the "2011 Series A bonds") to finance the acquisition, improvement, construction, or alteration of real property of the District; seismic upgrades of the acute care and emergency facilities; certain other capital projects; and the costs of issuance of the bonds. The 2011 Series A bonds consisted of two types of bonds: Current Interest Bonds and Capital Appreciation Bonds, issued in the amounts of \$4,530,000 and \$547,991, respectively, and were not backed by collateral.

Interest on the Current Interest Bonds was payable semiannually on February 1 and August 1 at a rate of 5%. The Current Interest Bonds were eligible for redemption on or after August 1, 2017. The District refinanced these bonds on September 28, 2017, using USDA financing.

The Capital Appreciation Bonds mature annually commencing on August 1, 2023, through August 1, 2038, in amounts ranging from \$150,000 to \$320,000, inclusive of interest accreted through such maturity dates. Interest on the Capital Appreciation Bonds is accreted every year beginning at a 7.75% rate commencing in 2023 and increased annually to a max rate of 8.14%. Interest is paid at maturity. The Capital Appreciation Bonds are not subject to optional redemption prior to their scheduled maturities.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 8: Long-Term Debt Obligations (Continued)

Direct borrowings:

USDA Bonds Payable

On September 28, 2017, the USDA Rural Development program issued a series of four secured bonds to the District, amounting to a total of \$21,805,000 at a rate of 3.25% and were collateralized with the District's tax revenue.

The first bond was issued for \$9,900,000 to fund building improvement projects. Interest on the bond is payable semiannually on September 1 and March 1 and is based on amounts drawn until the full amount has been drawn. Principal payments on the bond are due annually commencing September 2020 through 2057 in amounts ranging from \$125,000 to \$462,000.

The second bond was issued for \$4,300,000 to fund building improvement projects and to refinance the 2011 Certificate of Participation Bonds. Interest on the bond is payable semiannually on September 1 and March 1. Interest is based on amounts drawn until the full amount has been drawn and the amount of the debt refinanced. Principal payments on the bond are due annually commencing September 2018 through 2057 in amounts ranging from \$21,000 to \$193,000.

The first and second USDA-issued bonds require the District to set aside one-tenth of the average annual installments in a reserve account. The debt service reserve amount for the following fiscal year is represented as current restricted cash and cash equivalents on the statements of net position and contains a balance of \$2,948,865 as of June 30, 2023.

The third bond was issued for \$4,574,000 to refinance and pay off the General Obligation Bonds, 2011 Series A. Interest on the bond is payable semiannually on September 1 and March 1. Principal payments on the bond are due annually commencing September 2018 through 2057 in amounts ranging from \$92,000 to \$236,000.

The fourth bond was issued for \$3,031,000 to finance the acquisition, improvement, construction, or alteration of real property of the District; seismic upgrade of the acute care and emergency facilities; and certain other capital projects. Interest on the bond is payable semiannually on September 1 and March 1 and is based on amounts drawn until the full amount has been drawn. Principal payments on the bond are due annually commencing September 2020 through 2057 in amounts ranging from \$68,000 to \$161,000.

Notes Payable

The District entered into a debt agreement with the California Health Facilities Financing Authority (CHFFA) dated June 1, 2020, and financed on July 30, 2020, in the amount of \$1,500,000, with an interest rate of 2.0% and due in monthly installments of \$7,628 until maturity on August 1, 2040, and is secured by property tax revenue. The District will use the funds to finance renovations of the new clinic.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 8: Long-Term Debt Obligations (Continued)

Direct borrowings:

Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis and were not secured by any collateral. In 2020, the District applied for and was approved for a loan of \$2,421,900 that was fully forgiven during June 2021.

Note 9: Lease Obligations

Changes in leases payable consisted of the following for the years ended June 30:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Xerox copy machines	\$ 97,197	\$ -	\$ (51,702)	\$ 45,495	\$ 27,035

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Xerox copy machines	\$ 119,704	\$ -	\$ (22,507)	\$ 97,197	\$ 24,667

Equipment financed with leases consisted of the following:

<i>June 30,</i>	2023	2022
Cost of equipment	\$ 126,950	\$ 126,950
Accumulated amortization	(63,474)	(38,085)
Right of use assets - Net	\$ 63,476	\$ 88,865

Future minimum lease payments as of June 30, 2023, are:

	Principal	Interest	Total
2024	\$ 27,035	\$ 2,957	\$ 29,992
2025	18,460	428	18,888
Totals	\$ 45,495	\$ 3,385	\$ 48,880

Mayers Memorial Hospital District

Notes to Financial Statements

Note 9: Lease Obligations (Continued)

Lease Agreements

As of June 30, 2023, the District had one lease agreement in place. The lease agreement is with Xerox Financial Services LLC beginning January 1, 2021, is payable in monthly installments of \$2,716, including interest at 9.2% through December 2025, and is collateralized by equipment.

Note 10: Subscription-Based Information Technology Arrangements

Changes in subscription-based technology arrangements consisted of the following:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due Within One Year
Kaseya	\$ -	\$ 110,187	\$ (19,541)	\$ 90,646	\$ 35,092

The terms of the District's subscription-based technology arrangements are as follows:

- Kayseya - Subscription-based technology arrangement in the original principal amount of \$110,187 (from implementation date), due in monthly installments of \$3,498, including interest imputed at 9.2%, through November 2025, collateralized by the subscription-based technology.

Future minimum subscription-based technology arrangement payments consist of the following:

Years Ending June 30	Principal	Interest
2024	\$ 35,092	\$ 6,884
2025	38,459	3,516
2026	17,095	395
Totals	\$ 90,646	\$ 10,795

Note 11: Retirement Plan

The District sponsors and administers the Mayers Memorial Hospital District Governmental 401(k) plan. The defined contribution plan covers substantially all of its employees who are age 21 or older and have completed one year of service. Employees enter the plan on the first day of the quarter following the date the eligibility requirements are met.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 11: Retirement Plan (Continued)

The 401(k) plan is funded entirely by employee elective deferrals, which are immediately 100% vested. The plan provides for employer discretionary contributions that are allocated pro rata on the basis of eligible compensation. Benefit terms, including discretionary employer contributions, are established by management and the Board of Directors. No employer contributions are required. The District contributed 3% of eligible compensation annually to participants' accounts during each fiscal year ended June 30, 2023, and 2022. Participants employed on or before December 31, 2010, are 100% vested in their employer discretionary contributions. Participants employed after December 31, 2010, are subject to a five-year graded vesting schedule at the rate of 25% starting the second year and 25% each year thereafter annually until the fifth year, for a total of 100%. Forfeitures are used to reduce future employer contributions. For the plan years ended December 31, 2023 and 2022, forfeitures reduced the District's employee contributions by less than \$1,000 each year. Employee contributions for the years ended June 30, 2023 and 2022, were approximately \$224,000 and \$195,000, respectively.

Note 12: Risk Management

The District is exposed to various risks of loss related to medical malpractice; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries of employees; and natural disasters.

The District's comprehensive general liability insurance covers losses of up to \$5 million per claim with \$5 million annual aggregate for claims incurred during a policy year regardless of when the claim was filed ("occurrence based coverage"). The District's professional liability insurance covers losses up to \$5 million per claim with \$15 million annual aggregate for claims reported during a policy year ("claims made coverage"). The deductible per claim is \$10,000. Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. Although the possibility exists of claims arising from services provided to patients through June 30, 2023, that have not yet been asserted, the District is unable to determine the ultimate cost, if any, of such possible claims, and accordingly no provision has been made for them. Settled claims have not exceeded commercial coverage in any of the three preceding years.

Workers' Compensation

The District is exposed to the risk of loss resulting from workers' compensation claims. To address this risk, the District participates in a joint venture under a joint powers agreement with the Association of California Healthcare Districts, Inc. BETA FUND (the "Fund"). The Fund arranges for and provides member entities with pooled workers' compensation self-insurance. Member entities include governmental entities, nonprofit hospital corporations, and nonprofit corporations that provide healthcare services similar to services provided by a healthcare district. The District pays an annual premium to the Fund for its workers' compensation insurance coverage, which covers losses of up to \$2,000,000 per incident with no deductible. If participation in the Fund were terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund.

Mayers Memorial Hospital District

Notes to Financial Statements

Note 13: Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist principally of patient accounts receivable. Patient and resident accounts receivable consist of amounts due from patients and residents, their insurers, or governmental agencies (primarily Medicare and Medi-Cal) for healthcare provided to the patients and residents. The majority of the District's patients are from Shasta County, California, and the surrounding area.

The mix of receivables from patients and third-party payors consisted of the following:

<i>June 30,</i>	2023	2022
Medicare	30 %	34 %
Medi-Cal	34 %	23 %
Other third-party payors	26 %	32 %
Patients	10 %	11 %
Totals	100 %	100 %

Supplementary Information

Mayers Memorial Hospital District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Listing Number	Contract or Award Number	Period of Award	Total Federal Expenditures
U.S. Department of Agriculture:				
Direct Program:				
Community Facilities Loans and Grants Cluster			09/28/2017 to	
Community Facilities Loans and Grants	10.766	04-045-4940	09/01/2057	\$ 20,842,000
Total U.S. Department of Agriculture Community Facilities Loans and Grants Cluster				20,842,000
U.S. Department of Health and Human Services:				
Direct Program:				
COVID-19 -Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	01/01/2020 to 6/30/2023	1,099,394
Passed through from California Department of Health Care Access and Information:				
Rural Health Research Centers	93.155	21-20147	06/30/2022 to 12/31/2022	258,376
Small Rural Hospital Improvement Grant Program	93.301	18-95442	06/01/2022 to 05/31/2023	13,011
Total Passed through from California Department of Health Care Access and Information:				271,387
Total U.S. Department of Health and Human Services				1,370,781
Total expenditures of federal awards				<u>\$ 22,212,781</u>

See Independent Auditor's Report.

See accompanying notes to schedule of expenditures of federal awards.

Mayers Memorial Hospital District

Notes to Schedule of Expenditures of Federal Awards

Note 1: General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District. The information in the Schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2: Basis of Accounting

With the exception of expenditures related to the Provider Relief Fund (PRF), expenditures on the Schedule are reported on the accrual basis of accounting and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The PRF is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the Schedule for PRF are based on the PRF period of availability, terms and conditions of the PRF program, and amounts reported in the PRF portal for the reporting period 5, due September 30, 2023.

Note 3: Loan Balance

The District had outstanding loans with USDA as of June 30, 2023, with a balance of \$20,457,000. The loan balance at the beginning of the year was included in the federal expenditures presented on the Schedule. There were no new loans received during the year ended June 30, 2023.

Note 4: Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5: Subrecipients

The District does not have any subrecipients of federal awards.

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Mayers Memorial Hospital District
Fall River Mills, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mayers Memorial Hospital District (the “District”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Spokane, Washington
January 18, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Mayers Memorial Hospital District
Fall River Mills, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mayers Memorial Hospital District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Mayers Memorial Hospital District's major federal programs for the year ended June 30, 2023. Mayers Memorial Hospital District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mayers Memorial Hospital District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mayers Memorial Hospital District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mayers Memorial Hospital District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Mayers Memorial Hospital District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mayers Memorial Hospital District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mayers Memorial Hospital District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mayers Memorial Hospital District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mayers Memorial Hospital District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mayers Memorial Hospital District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

Spokane, Washington
January 18, 2024

Mayers Memorial Hospital District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? yes no

Identification of major federal programs:

CFDA Number

10.766
93.155
93.498

Name of Federal Program or Cluster

Community Facilities Loans and Grants
Rural Health Research Centers
COVID-19 -Provider Relief Fund and American Rescue
Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Mayers Memorial Hospital District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

SECTION II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards

Finding Number: 2023-001

Repeat Finding: Yes

Type of Finding: Significant deficiency

Description: Financial statement preparation and accompanying note disclosures

Criteria: Government Auditing Standards considers the inability to report the financial data reliably in accordance with GAAP to be an internal control deficiency.

Condition: The District relies on the auditor to compile the financial statements and notes. As part of our professional services for the year ended June 30, 2023, Wipfli LLP assisted in drafting the basic financial statements and related notes. This condition is not unusual in an organization of its size.

Cause: The District prepares a set of full disclosure financial statements only on an annual basis and does not maintain the expertise to prepare full disclosure financial statements due to cost and other considerations.

Effect: The completeness of the financial statement disclosures and the accuracy of the overall financial presentation may be negatively impacted, since outside auditors do not have the same comprehensive understanding as its internal finance staff.

Recommendation: We recommend management and those charged with governance continue to evaluate the degree of risk associated with this condition because of cost or other considerations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials: The CEO and CFO will continue to evaluate the cost versus benefits of having financial reporting personnel obtain expertise on financial statement preparation and disclosure requirements. Like many small organizations, the District may continue to rely on its external auditors to draft the financial statements, footnotes, and schedule of expenditures of federal awards. The CFO and controller review interim financials on a monthly basis and present results to the Finance Committee and Board of Directors.

SECTION III - Findings and Questioned Costs Related to Federal Awards

None reported.

Mayers Memorial Hospital District

Schedule of Prior-Year Findings and Questioned Costs

Year Ended June 30, 2023

Finding Number: 2022-001

Type of Finding: Significant deficiency

Description: Financial statement preparation and accompanying note disclosures

Condition: The District relies on the auditor to compile the financial statements and notes. As part of our professional services for the year ended June 30, 2022, Wipfli LLP assisted in drafting the basic financial statements and related notes. This condition is not unusual in an organization of its size.

Current Status: Not corrected; see current-year finding 2023-001.