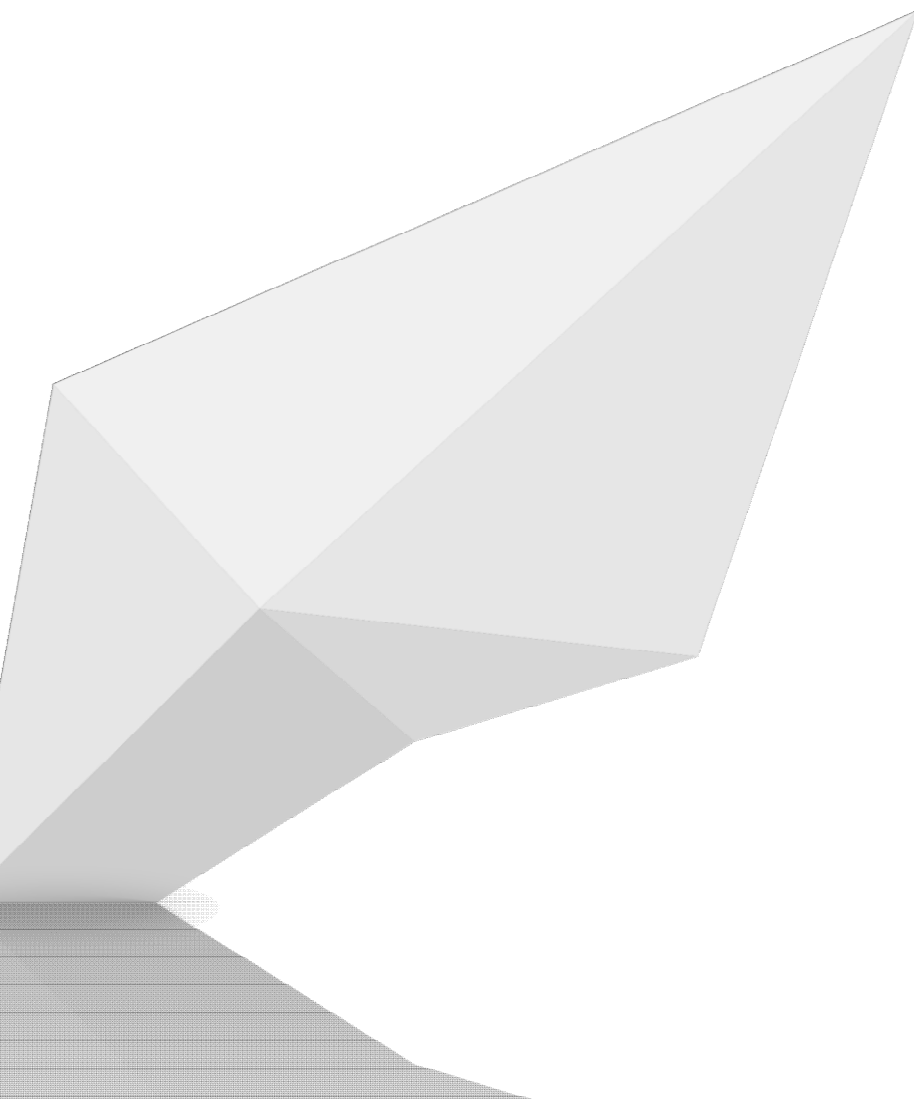


# Del Puerto Health Care District

Financial Statements and Required Supplementary  
Information

Years Ended June 30, 2021 and 2020



# Del Puerto Health Care District

Years Ended June 30, 2021 and 2020

---

## Table of Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position.....	10
Statements of Cash Flows.....	11
Notes to Financial Statements.....	13

## **Independent Auditor's Report**

Board of Directors  
Del Puerto Health Care District  
Patterson, California

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

We have audited the accompanying financial statements of Del Puerto Health Care District (the "District"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related 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.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wipfli LLP

December 2, 2021  
Oakland, California

# Del Puerto Health Care District

## Management's Discussion and Analysis

Years Ended June 30, 2021, 2020, and 2019

---

Our discussion and analysis of the financial performance of Del Puerto Health Care District (the "District") provides an overview of the District's financial activities for the fiscal years ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the District's financial statements, which begin on page 8.

### Financial Highlights

- The District's net position increased by \$236,000 in the past year from \$6,102,000 at June 30, 2020, to \$6,339,000 at June 30, 2021. In the prior year, the District's net position increased by \$435,000 from \$5,667,000 at June 30, 2019, to \$6,102,000 at June 30, 2020.
- Gross patient revenue increased 3% from \$10,619,000 in fiscal year 2020 to \$10,973,000 in fiscal year 2021. In the prior year, gross patient revenue increased 6% from \$10,043,000 in fiscal year 2019 to \$10,619,000 in fiscal year 2020.
- Revenue deductions increased 5% in the past year from \$5,830,000 to \$6,148,000. In the prior year, revenue deductions increased 3% from \$5,636,000 in fiscal year 2019 to \$5,830,000 in fiscal year 2020.
- Operating expenses increased 1% in the past year from \$5,671,000 in fiscal year 2020 to \$5,713,000 in fiscal year 2021. In the prior year, operating expenses increased 6% from \$5,326,000 in fiscal year 2019 to \$5,671,000 in fiscal year 2020.

### Using This Annual Report

The District's financial statements consist of three statements—statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes to the financial statements provide information about the activities of the District, including resources held by the District.

### The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

The District's financial statements begin on page 8. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The statements of net position and statements of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These 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.

The two statements referred to above report the District's net position and its changes. The District's net position—the difference between assets and liabilities—is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. Readers should also consider other nonfinancial factors, such as changes in the District's patient base, measures of quality of service it provides to the community, and local economic factors to assess the overall health of the District.

# Del Puerto Health Care District

## Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

### The Statements of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and changes in cash balances resulting from operating, investing, and financing activities. It provides answers to such questions as, "Where did cash come from?", "What was cash used for?", and "What was the change in cash balances during the reporting period?"

### The District's Net Position

The District's net position is the difference between the assets and liabilities reported in the statements of net position on pages 8 and 9. The District's net position increased by \$236,000 from June 30, 2020, to June 30, 2021, and increased by \$435,000 from June 30, 2019 to June 30, 2020, as detailed in the following table:

### Condensed Statements of Net Position at June 30, (In Thousands)

	2021	2020	2019	2021-2020 Change	2020-2019 Change
<b>Assets:</b>					
Other assets	\$ 3,838	\$ 3,827	\$ 3,565	\$ 11	\$ 262
Capital assets	5,177	5,392	5,284	(215)	108
<b>Total assets</b>	<b>\$ 9,015</b>	<b>\$ 9,219</b>	<b>\$ 8,849</b>	<b>\$ (204)</b>	<b>\$ 370</b>
<b>Liabilities:</b>					
Other liabilities	\$ 409	\$ 459	\$ 349	\$ (50)	\$ 110
Long-term liabilities	2,268	2,658	2,833	(390)	(175)
<b>Total liabilities</b>	<b>2,677</b>	<b>3,117</b>	<b>3,182</b>	<b>(440)</b>	<b>(65)</b>
<b>Net position:</b>					
Net investment in capital assets	2,901	2,734	2,451	167	283
Restricted for debt service	123	119	107	4	12
Unrestricted	3,314	3,249	3,109	65	140
<b>Total net position</b>	<b>6,338</b>	<b>6,102</b>	<b>5,667</b>	<b>236</b>	<b>435</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 9,015</b>	<b>\$ 9,219</b>	<b>\$ 8,849</b>	<b>\$ (204)</b>	<b>\$ 370</b>

# Del Puerto Health Care District

## Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

### Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, (In Thousands):

	2021	2020	2019	2021-2020 Change	2020-2019 Change
Operating revenue:					
Gross patient service revenue	\$ 10,973	\$ 10,619	\$ 10,043	\$ 354	\$ 576
Contractual adjustments	(6,148)	(5,830)	(5,636)	(318)	(194)
Provision for bad debts	(961)	(836)	(437)	(125)	(399)
Net patient service revenue	3,864	3,953	3,970	(89)	(17)
Other operating revenue	99	53	225	46	(172)
Total operating revenue	3,963	4,006	4,195	(43)	(189)
Operating expenses:					
Salaries and wages	2,475	2,456	2,233	19	223
Employee benefits	660	677	496	(17)	181
Professional fees	799	790	861	9	(71)
Purchased services	447	476	449	(29)	27
Supplies	176	185	163	(9)	22
Utilities	67	65	64	2	1
Rental and lease	10	11	11	(1)	-
Insurance	333	305	376	28	(71)
Repairs and maintenance	87	101	133	(14)	(32)
Depreciation	291	305	278	(14)	27
Other	368	300	262	68	38
Total operating expenses	5,713	5,671	5,326	42	345
Loss from operations	(1,750)	(1,665)	(1,131)	(85)	(534)
Nonoperating revenue	1,986	2,100	1,656	(114)	444
Excess of revenue over expenses	236	435	525	(199)	(90)
Net position - At beginning of year	6,102	5,667	5,142	435	525
Net position - At end of year	\$ 6,338	\$ 6,102	\$ 5,667	\$ 236	\$ 435

# Del Puerto Health Care District

## Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

---

### Operating Revenue

Gross patient service revenue increased by \$354,000 compared with an increase of \$318,000 in revenue deductions. The increase in revenue deductions is commensurate with the increase in gross charges.

Total operating expenses increased by \$42,000 from \$5,671,000 in fiscal year 2020 to \$5,713,000 in fiscal year 2021. This change is primarily because of increases in other operating expenses of \$68,000. Other operating expenses increased primarily due to the increase in software and license expense.

### Nonoperating Revenue

For fiscal year 2021, nonoperating revenue consisted primarily of tax revenue and provider relief funds. The District received \$1,730,000 in tax revenue. During 2020, tax revenue received by the District totaled \$1,663,000. In addition, the District received rental income of \$143,000 in fiscal year 2021 and \$182,000 in fiscal year 2020.

During 2021 and 2020, the District earned \$100,000 and \$347,000 in grant funding from the HHS Provider Relief Fund, which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, or by incurring lost revenues, defined as a negative change in year over-year net patient revenue. These funds are included in grants under nonoperating revenue in the statements of revenues, expenses and changes in net position.

### The District's Cash Flows

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



# Del Puerto Health Care District

## Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

### Capital Assets and Accumulated Depreciation

As of June 30, 2021, the District had \$5,177,000 invested in capital assets, net of accumulated depreciation. The historical cost and additions to capital assets and the changes in accumulated depreciation are detailed in the following table:

#### Capital Assets and Accumulated Depreciation for the Year Ended June 30, 2021 (In Thousands):

	Balance 2020	Additions	Disposals	Transfers and Adjustments	Balance 2021
Land and improvements	\$ 311	\$ -	\$ -	\$ 428	\$ 739
Buildings and leasehold improvements	5,037	9	-	-	5,046
Fixed and moveable equipment	2,024	61	(126)	-	1,959
Subtotal	7,372	70	(126)	428	7,744
Less: Accumulated depreciation	(2,403)	(291)	126	-	(2,568)
Subtotal	4,969	(221)	-	428	5,176
Construction in progress	423	6	-	(428)	1
Capital assets - Net	\$ 5,392	\$ (215)	\$ -	\$ -	\$ 5,177

### Noncurrent Liabilities

At June 30, 2021, the District's noncurrent liabilities consisted of USDA notes payable totaling \$1,567,000 and a bank loan for real property in the amount of \$701,000, for aggregate outstanding total liabilities of \$2,268,000. Of this amount, \$124,000 is due in installments over the next 12-month period.

### Contacting the District's Financial Management

This financial report is designed to provide our patients, creditors, and members of our community with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions about this report or for additional financial information, please contact the Administrative Director/Chief Executive Officer at Del Puerto Health Care District, 875 E Street, Patterson, CA 95363.

# Del Puerto Health Care District

## Statements of Net Position

<i>June 30,</i>	2021	2020
Current assets:		
Cash and cash equivalents:		
Cash	\$ 2,867,637	\$ 3,058,355
Restricted cash	122,887	118,839
Receivables:		
Patient accounts - Net	526,129	283,552
Estimated third-party payor settlements	85,408	124,688
Other receivables	3,509	7,661
Inventory	53,157	40,049
Prepaid expenses	33,245	47,210
<b>Total current assets</b>	<b>3,691,972</b>	<b>3,680,354</b>
Noncurrent assets:		
Board-designated cash and cash equivalents	146,264	146,250
Capital assets:		
Nondepreciable capital assets	740,373	734,467
Depreciable capital assets - Net	4,436,877	4,657,127
<b>Capital assets - Net</b>	<b>5,177,250</b>	<b>5,391,594</b>
<b>Total noncurrent assets</b>	<b>5,323,514</b>	<b>5,537,844</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,015,486</b>	<b>\$ 9,218,198</b>

# Del Puerto Health Care District

## Statements of Net Position (Continued)

<i>June 30,</i>	2021	2020
Current liabilities:		
Current portion of long-term debt	\$ 123,733	\$ 107,177
Accounts payable	194,664	135,636
Deposits held for others	-	9,955
Unearned revenue	-	95,516
Accrued compensation and related liabilities	214,051	217,510
<b>Total current liabilities</b>	<b>532,448</b>	<b>565,794</b>
Noncurrent liabilities:		
Long-term debt - Less current portion	2,143,867	2,550,480
<b>Total liabilities</b>	<b>2,676,315</b>	<b>3,116,274</b>
Net position:		
Net investment in capital assets	2,901,435	2,733,937
Restricted for debt service	122,887	118,839
Unrestricted	3,314,849	3,249,148
<b>Total net position</b>	<b>6,339,171</b>	<b>6,101,924</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 9,015,486</b>	<b>\$ 9,218,198</b>

# Del Puerto Health Care District

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

<i>Years Ended June 30,</i>	2021	2020
Operating revenue:		
Net patient service revenue	\$ 3,864,421	\$ 3,953,515
Other operating revenue	99,434	52,759
Total operating revenue	3,963,855	4,006,274
Operating expenses:		
Salaries and wages	2,474,515	2,456,432
Employee benefits	660,424	677,100
Professional fees	799,281	790,192
Purchased services	447,111	475,797
Supplies	176,218	184,932
Utilities	66,812	65,369
Rental and lease	9,856	11,256
Insurance	332,807	304,576
Repairs and maintenance	86,666	100,788
Depreciation	290,631	305,456
Other	368,407	299,513
Total operating expenses	5,712,728	5,671,411
Loss from operations	(1,748,873)	(1,665,137)
Nonoperating revenue (expenses):		
Property taxes	1,729,617	1,662,831
Rental income	142,935	181,615
Grants	204,567	360,212
Interest earnings	6,609	19,568
Interest expense	(60,009)	(62,240)
Other	(37,599)	(61,584)
Total nonoperating revenue - Net	1,986,120	2,100,402
Excess of revenue over expenses	237,247	435,265
Net position - Beginning of year	6,101,924	5,666,659
Net position - End of year	\$ 6,339,171	\$ 6,101,924

# Del Puerto Health Care District

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 3,661,124	\$ 4,322,871
Receipts from other operating revenue	103,586	45,989
Payments to employees	(3,138,398)	(3,091,451)
Payments to suppliers	(2,235,488)	(2,283,854)
<b>Net cash used in operating activities</b>	<b>(1,609,176)</b>	<b>(1,006,445)</b>
Cash flows from noncapital financing activities:		
Property taxes received	1,729,617	1,662,831
Other nonoperating revenue	71,452	389,705
<b>Net cash provided by noncapital financing activities</b>	<b>1,801,069</b>	<b>2,052,536</b>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(390,057)	(174,960)
Interest payments on long-term debt	(60,009)	(62,240)
Purchase of capital assets	(68,072)	(413,518)
<b>Net cash used in capital and related financing activities</b>	<b>(518,138)</b>	<b>(650,718)</b>
Cash flows from investing activities:		
Net increase in cash received from rental activities	132,980	193,274
Interest received	6,609	19,568
<b>Net cash provided by investing activities</b>	<b>139,589</b>	<b>212,842</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(186,656)</b>	<b>608,215</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>3,323,444</b>	<b>2,715,229</b>
<b>Cash and cash equivalents - End of year</b>	<b>\$ 3,136,788</b>	<b>\$ 3,323,444</b>
Reconciliation of total cash:		
Cash and cash equivalents	\$ 2,867,637	\$ 3,058,355
Restricted cash and cash equivalents	122,887	118,839
Board-designated cash and cash equivalents	146,264	146,250
<b>Total cash and cash equivalents</b>	<b>\$ 3,136,788</b>	<b>\$ 3,323,444</b>

# Del Puerto Health Care District

## Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2021	2020
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (1,748,873)	\$ (1,665,137)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	290,631	305,456
Provision for uncollectible accounts	961,024	839,927
Change in assets and liabilities:		
Receivables:		
Patient accounts	(1,203,601)	(629,201)
Estimated third-party payor settlements	39,280	163,114
Taxes and other	4,152	(6,770)
Inventory	(13,108)	4,134
Prepaid expenses	13,965	(21,672)
Accounts payable	50,813	(38,332)
Unearned revenue	-	(45)
Accrued compensation and related liabilities	(3,459)	42,081
Total adjustments	139,697	658,692
Net cash used in operating activities	\$ (1,609,176)	\$ (1,006,445)
<b>Noncash investing activity:</b>		
Purchase of property and equipment through accounts payable	\$ 8,215	\$ -

# Del Puerto Health Care District

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

Del Puerto Health Care District (the "District") is a public entity organized under the Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The District operates a federally designated rural health clinic (RHC), providing physician and related healthcare services, and an advanced life support ambulance service for the community of Patterson and the surrounding area. As a political subdivision of the State of California, the District is generally not subject to federal or state income taxes. The Board of Directors consists of five residents of the District elected or appointed to four-year terms.

The District provides healthcare services to patients in western Stanislaus County, California. The services provided include adult, pediatric, and industrial health services, as well as healthcare education, diabetes education for the public, laceration treatment, and asthmatic treatment programs. The ambulance service offers 24-hour emergency medical services, as well as event standby services. As part of the future growth plan, the District purchased a building in June 2016, which it currently operates and leases to 75% healthcare-related tenants (physical therapy and orthodontics) until such time as it may be needed for operational purposes.

#### Basis of Accounting

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States for establishing governmental accounting and financial reporting principles.

The District uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

#### 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

The District considers cash and investments with an original maturity of three months or less to be cash equivalents.

#### Board-Designated Cash and Cash Equivalents

Noncurrent cash and cash equivalents include designated assets set aside by the Board of Directors for certain debt agreements over which the Board of Directors retains control and which it may, at its discretion, use for other purposes.

# Del Puerto Health Care District

## Notes to Financial Statements

---

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

#### **Patient Accounts Receivable and Credit Policy**

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or, if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient 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 accounts receivable 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 patient service revenue and a credit to patient accounts receivable.

In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to a valuation allowance.

In evaluating the collectibility of patient accounts receivable, 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 uncollectible accounts. 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 who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts for expected uncollectible deductibles and copayments on accounts for which 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 (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients 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 off against the allowance for doubtful accounts.



# Del Puerto Health Care District

## Notes to Financial Statements

---

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

#### Inventories

Inventories consist of pharmaceutical, medical-surgical, and other supplies and are valued at the lower of cost or net realizable value, determined on the average-cost method.

#### Capital Assets and Equipment

Property and equipment acquisitions are recorded at cost if purchased or, if donated, at acquisition value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Depreciation and amortization have been computed using the straight-line method over the following estimated useful service lives:

Land improvements	10 to 15 years
Buildings and improvements	10 to 40 years
Fixed and major moveable equipment	3 to 15 years
IT equipment and software	3 to 10 years

#### Unearned Revenue

Unearned revenue consists of proceeds from grants or contributions, classified as voluntary nonexchange transactions, where revenue is not recognized until all eligibility requirements have been met.

#### 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 for debt service:* 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 limitations are imposed on its use through external restrictions imposed by creditors, grantors, 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, including amounts the Board has designated for specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, at the discretion of the District and in compliance with provisions outlined as such.

# Del Puerto Health Care District

## Notes to Financial Statements

---

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

#### **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 grants, property taxes, and contributions 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.

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

The District recognizes patient service revenue associated with services provided to patients 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.

The provision for uncollectible accounts is offset by recoveries that are received on prior-year bad debts from patient payments.

#### **Excess of Revenue over Expenses**

The accompanying statements of revenues, expenses, and changes in net position include excess of revenue over expenses, which is considered the operating indicator. Changes in unrestricted net position that are excluded from the operating indicator include assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets.

#### **Grants and Contributions**

The District receives grants, as well as contributions. 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).

#### **Tax Status**

The District is a local agency of the State of California within the meaning of Section 56054 of the California Government Code (CGC). Accordingly, the District is exempt from federal income and state income, property, and franchise taxes.

# Del Puerto Health Care District

## Notes to Financial Statements

---

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

#### Reclassifications

Certain reclassifications of 2020 amounts have been made in the accompanying financial statements to conform to the 2021 presentation. Such reclassifications had no effect on the previously reported net position.

### Note 2: 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 collateralization agreements with local banks that mitigate custodial credit risk. The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts at these institutions are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits. The remaining balance of the District's funds held in deposits and not considered federally insured funds were collateralized in accordance with the CGC, except for federally insured funds.

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 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.

Currently, all investments are held in money market accounts with maturities of less than three months and are considered cash and cash equivalents and are not rated by the national credit ratings agencies.

Cash and cash equivalents consisted of the following as of June 30:

	2021	2020
Demand deposits	\$ 2,619,970	\$ 2,810,964
Cash on hand	340	340
Local government investment pool	516,478	512,140
<b>Total cash and cash equivalents</b>	<b>\$ 3,136,788</b>	<b>\$ 3,323,444</b>

# Del Puerto Health Care District

## Notes to Financial Statements

### Note 2: Cash and Cash Equivalents (Continued)

The composition of cash and cash equivalents consisted of the following as of June 30:

	2021	2020
Current:		
Unrestricted cash and cash equivalents	\$ 2,867,637	\$ 3,058,355
Restricted for debt service	122,887	118,839
Noncurrent:		
Board-designated cash and cash equivalents	146,264	146,250
Total cash and cash equivalents	\$ 3,136,788	\$ 3,323,444

**Restricted for Debt Service:** Under the terms of the U.S. Department of Agriculture (USDA) Rural Development loan, the District is required to maintain a separate debt service reserve fund equal to an average annual loan installment, which will be accumulated at the rate of one-tenth of the monthly payment until the required level is met.

**Board-designated Cash and Cash Equivalents:** This is a board designated holding account for mitigation fees.

### Note 3: Reimbursement Arrangements With Third-Party Payors

The District has agreements with third-party payors that provide for payments to the District at amounts different from established rates. A summary of the basis of reimbursement from major third-party payors by enterprise operation is as follows:

#### Health Center

**Medicare -** The District's health center is designated as a RHC. Under this designation, ambulatory patient care and professional services provided by physicians and other clinicians are paid for on a cost-reimbursement methodology, subject to a maximum rate per visit that is updated annually based on the Medicare Economic Index.

**Medi-Cal -** Fee-for-service and managed-care patient encounters are reimbursed based on prospectively determined fee schedules per eligible visit.

**Others -** The District's health center 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 fee for service, discounts from established charges, and others.

# Del Puerto Health Care District

## Notes to Financial Statements

---

### **Note 3: Reimbursement Arrangements With Third-Party Payors** (Continued)

#### Ambulance

Medicare - Emergency medical transport services are provided to Medicare beneficiaries at a fee-for-service rate. The rate is predetermined by the government and pays a set rate per transport plus mileage.

Medi-Cal - The District provides services to both fee-for-service and managed-care beneficiaries. Fee-for-service transports are later settled through the Ground Emergency Medical Transport (GEMT) supplemental reimbursement, which pays 50% of uncompensated cost. Medi-Cal transports provided to managed-care beneficiaries are not eligible for the GEMT program.

Others - The District's ambulance service does not contract or enter into payment agreements with any commercial insurance carriers, health maintenance organizations, or preferred provider organizations. However, most commercial insurance pays the amount it has independently determined as reasonable. The District must pursue reimbursement from the third-party payor or bill the patient for the balance.

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

The District is reimbursed for health center cost items by submission of annual cost reports with the respective Medicare Administrative Contractor (MAC). Estimated provisions to approximate the final expected settlements after audit or review are included in the accompanying financial statements. The District's cost reports have been final settled through 2020.

Under State of California Department of Health Center Services (DHCS) regulations, RHC's are reimbursed on an interim basis for certain visits insured under Medi-Cal managed care plans. An annual reconciliation is required for Medi-Cal taking into account total visits, the final PPS rate, and interim payments received. Reconciliations for 2019 to 2021 remain open to adjudication and final audit by DHCS. The District has recorded estimated receivables as third-party payor settlements in the accompanying statements of net position.

#### **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 repayment 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.

# Del Puerto Health Care District

## Notes to Financial Statements

---

### Note 3: Reimbursement Arrangements With Third-Party Payors (Continued)

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RAC) to search for potentially inaccurate Medicare payments. RACs search for potentially inaccurate Medicare payments that might have been made to healthcare providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The District will then have the opportunity to appeal the adjustment before final settlement of the claim is made.

The District's policy is to adjust revenue for decreases in reimbursement from the RAC reviews when these amounts are estimable and to adjust revenue for increases in reimbursement from the RAC reviews when the increase in reimbursement is agreed on. As of June 30, 2021, the District had not been notified of any potential reimbursement adjustments.

### Note 4: Patient Accounts Receivable

Patient accounts receivable consisted of the following at June 30, 2021:

	Ambulance	Clinic	Total
Receivables from patients and their insurance carriers	\$ 638,360	\$ 51,006	\$ 689,366
Receivables from Medicare	46,725	55,720	102,445
Receivables from Medi-Cal	90,809	452,001	542,810
Total patient accounts receivable	775,894	558,727	1,334,621
Less:			
Allowance for contractual adjustments	(99,573)	(214,624)	(314,197)
Allowance for doubtful accounts	(490,106)	(4,189)	(494,295)
Net patient accounts receivable	\$ 186,215	\$ 339,914	\$ 526,129

# Del Puerto Health Care District

## Notes to Financial Statements

### Note 4: Patient Accounts Receivable (Continued)

Patient accounts receivable consisted of the following at June 30, 2020:

	Ambulance	Clinic	Total
Receivables from patients and their insurance carriers	\$ 618,152	\$ 29,424	\$ 647,576
Receivables from Medicare	33,612	12,730	46,342
Receivables from Medi-Cal	78,962	62,542	141,504
Total patient accounts receivable	730,726	104,696	835,422
Less:			
Allowance for contractual adjustments	(237,836)	(28,447)	(266,283)
Allowance for doubtful accounts	(285,587)	-	(285,587)
Net patient accounts receivable	\$ 207,303	\$ 76,249	\$ 283,552

### Note 5: Accrued Compensation and Related Liabilities

Employees of the District earn vacation and sick hours at varying rates as provided by the District's employee benefit policies. The District's policy is to permit employees to accumulate paid time-off (PTO). Employees are paid for accumulated PTO benefits, but do not receive payment of accumulated sick leave upon termination or retirement. Accrued vacation liabilities for the years ended June 30, 2021 and 2020, were \$146,476 and \$145,224, respectively, and are included in accrued compensation and related liabilities on the statements of net position.

# Del Puerto Health Care District

## Notes to Financial Statements

### Note 6: Capital Assets

Capital asset balances and activity for the year ended June 30, 2021, consisted of the following:

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
<b>Nondepreciable capital assets:</b>					
Land	\$ 310,914	\$ -	\$ -	\$ 427,630	\$ 738,544
Construction in progress	423,553	5,906	-	(427,630)	1,829
<b>Total nondepreciable capital assets</b>	<b>734,467</b>	<b>5,906</b>	<b>-</b>	<b>-</b>	<b>740,373</b>
<b>Depreciable capital assets:</b>					
Buildings and leasehold improvements	5,036,620	9,456	-	-	5,046,076
Equipment	2,023,687	60,925	(125,982)	-	1,958,630
<b>Total depreciable capital assets</b>	<b>7,060,307</b>	<b>70,381</b>	<b>(125,982)</b>	<b>-</b>	<b>7,004,706</b>
<b>Total capital assets before depreciation</b>	<b>7,794,774</b>	<b>76,287</b>	<b>(125,982)</b>	<b>-</b>	<b>7,745,079</b>
Less - Accumulated depreciation	(2,403,180)	(290,631)	125,982	-	(2,567,829)
<b>Capital assets - Net</b>	<b>\$ 5,391,594</b>	<b>\$ (214,344)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,177,250</b>

At June 30, 2021, construction in progress (CIP) consisted of costs for legal fees related to exploring financing options for a design build of a potentially new administration building. Cost estimates of the building project have not been determined and have not been Board approved. Therefore, no estimated completion date could be determined. The estimated remaining cost to complete projects in CIP is \$0.



# Del Puerto Health Care District

## Notes to Financial Statements

### Note 6: Capital Assets (Continued)

Capital asset balances and activity for the year ended June 30, 2020, consisted of the following:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
<b>Nondepreciable capital assets:</b>					
Land	\$ 310,914	\$ -	\$ -	\$ -	310,914
Construction in progress	392,967	260,953	-	(230,367)	423,553
<b>Total nondepreciable capital assets</b>	<b>703,881</b>	<b>260,953</b>	<b>-</b>	<b>(230,367)</b>	<b>734,467</b>
<b>Depreciable capital assets:</b>					
Buildings and leasehold improvements	4,927,190	109,430	-	-	5,036,620
Equipment	1,750,185	43,135	-	230,367	2,023,687
<b>Total depreciable capital assets</b>	<b>6,677,375</b>	<b>152,565</b>	<b>-</b>	<b>230,367</b>	<b>7,060,307</b>
<b>Total capital assets before depreciation</b>	<b>7,381,256</b>	<b>413,518</b>	<b>-</b>	<b>-</b>	<b>7,794,774</b>
<b>Total accumulated depreciation</b>	<b>(2,097,724)</b>	<b>(305,456)</b>	<b>-</b>	<b>-</b>	<b>(2,403,180)</b>
<b>Capital assets - Net</b>	<b>\$ 5,283,532</b>	<b>\$ 108,062</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,391,594</b>

# Del Puerto Health Care District

## Notes to Financial Statements

### Note 7: Long-Term Debt

A schedule of changes in the District's long-term debt obligations for 2021 follows:

<i>Direct borrowings:</i>	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
USDA note payable, 3.75% interest, monthly principal/interest payments of \$10,060; matures in 2039; secured by property	\$ 1,627,783	\$ -	\$ 60,711	\$ 1,567,072	\$ 63,027
Bank note payable, 4.25% interest, monthly principal/interest payments of \$7,442; matures in 2023; secured by property	1,029,874	-	329,346	700,528	60,706
<b>Totals</b>	<b>\$ 2,657,657</b>	<b>\$ -</b>	<b>\$ 390,057</b>	<b>\$ 2,267,600</b>	<b>\$ 123,733</b>

A schedule of changes in the District's long-term debt obligations for 2020 follows:

<i>Direct borrowings:</i>	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
USDA note payable, 3.75% interest, monthly principal/interest payments of \$10,060; matures in 2039; secured by property	\$ 1,686,263	\$ -	\$ 58,480	\$ 1,627,783	\$ 60,716
Bank note payable, 4.25% interest, monthly principal/interest payments of \$7,442; matures in 2023; secured by property	1,146,354	-	116,480	1,029,874	46,461
<b>Totals</b>	<b>\$ 2,832,617</b>	<b>\$ -</b>	<b>\$ 174,960</b>	<b>\$ 2,657,657</b>	<b>\$ 107,177</b>

# Del Puerto Health Care District

## Notes to Financial Statements

### Note 7: Long-Term Debt (Continued)

Scheduled principal and interest payments on long-term debt are as follows:

	Principal	Interest	Total
2022	\$ 123,733	\$ 86,288	\$ 210,021
2023	705,258	81,252	786,510
2024	68,096	75,848	143,944
2025	69,843	71,236	141,079
2026	72,545	65,546	138,091
2027 - 2031	406,936	234,273	641,209
2032 - 2036	491,988	111,612	603,600
2037 - 2041	329,201	18,815	348,016
<b>Totals</b>	<b>\$ 2,267,600</b>	<b>\$ 744,870</b>	<b>\$ 3,012,470</b>

### Note 8: Net Patient Service Revenue

Net patient service revenue consisted of the following for the year ended June 30, 2021:

	Ambulance	Clinic	Total
Gross patient service revenue	\$ 9,019,990	\$ 1,953,183	\$ 10,973,173
Less:			
Contractual allowances	6,122,474	25,254	6,147,728
Provision for uncollectible accounts	828,299	132,725	961,024
<b>Net patient service revenue</b>	<b>\$ 2,069,217</b>	<b>\$ 1,795,204</b>	<b>\$ 3,864,421</b>

Net patient service revenue consisted of the following for the year ended June 30, 2020:

	Ambulance	Clinic	Total
Gross patient service revenue	\$ 8,570,963	\$ 2,047,463	\$ 10,618,426
Less:			
Contractual allowances	5,868,543	(39,075)	5,829,468
Provision for uncollectible accounts	815,452	19,991	835,443
<b>Net patient service revenue</b>	<b>\$ 1,886,968</b>	<b>\$ 2,066,547</b>	<b>\$ 3,953,515</b>

# Del Puerto Health Care District

## Notes to Financial Statements

### Note 8: Net Patient Service Revenue (Continued)

The following table reflects the percentage of gross patient service revenue by payor source for the year ended June 30, 2021:

	Ambulance	Clinic
Medicare	41.6 %	7.8 %
Medi-Cal	33.2	57.9
Other third-party payors	18.5	33.0
Self-pay	6.7	1.3
Totals	100.0 %	100.0 %

The following table reflects the percentage of gross patient service revenue by payor source for the year ended June 30, 2020:

	Ambulance	Clinic
Medicare	40.9 %	5.7 %
Medi-Cal	36.1	71.8
Other third-party payors	17.5	21.8
Self-pay	5.5	0.7
Totals	100.0 %	100.0 %

### Note 9: Property Tax Revenue

The District received approximately 28.60% and 26.69% of its financial support from property taxes in the years ended June 30, 2021 and 2020, respectively. Property taxes are levied by the District and collected by the Stanislaus County Treasurer for operations. Taxes estimated to be collectible are recorded as revenue in the year of the levy. No allowance for doubtful taxes receivable is considered necessary. Taxes levied are recorded as nonoperating revenue and are intended to finance the District's activities of the same fiscal year. Amounts of tax levied are based on assessed property values as of the first day of January for the fiscal year for which the taxes are levied.

The funds used to support operations were \$1,729,617 and \$1,662,831 for the years ended June 30, 2021 and 2020, respectively.

### Note 10: Charity Care

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 or who are underinsured. The District has a sliding scale fee discount program based on the Federal Poverty Scale determined by patient household size and income.

# Del Puerto Health Care District

## Notes to Financial Statements

---

### Note 10: Charity Care (Continued)

Healthcare services to patients under government programs, such as Medi-Cal are also considered part of the District's benefit provided to the community, since a substantial portion of such services are reimbursed at amounts that are less than the costs of providing care.

### Note 11: Risk Management

#### 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. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

#### Medical Malpractice Claims

The District obtains medical malpractice insurance through BETA Healthcare Group (BETA), which offers the District a professional and general liability policy on a claims-made basis, with primary limits of \$5,000,000 per claim and an annual aggregate limit of \$15,000,000, and a \$5,000 deductible.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

### Note 12: Concentration of Credit Risk

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 there are any credit risks associated with these government agencies. Contracted and other patient accounts receivable consist of various payors, including individuals who are involved in diverse activities, are subject to differing economic conditions, and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2021 and 2020, was as follows:

	2021	2020
Medicare	8 %	9 %
Medi-Cal	40	23
Other third-party payors	12	21
Self-pay	40	47
Totals	100 %	100 %

# Del Puerto Health Care District

## Notes to Financial Statements

---

### Note 13: Commitments and Contingencies

*Operating leases* - The District leases various pieces of equipment under operating leases expiring at various dates. Total equipment leases and rent expense for the years ended June 30, 2021 and 2020, was \$9,856 and \$11,256, respectively.

Future minimum lease payments, for leases with a term greater than one year at inception are:

Years Ending June 30,		
2022	\$	1,515
2023		631
Total	\$	2,146

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result of the pandemic, there are evolving federal and state regulatory requirements and laws that will affect the District's operations. The District is incorporating processes to comply with the evolving regulatory requirements and laws. At this time, it is unclear what the prolonged economic impact of COVID-19 will have on the District's operations.

### Note 14: Retirement Plans

The District sponsors and administers a 414(h) defined contribution retirement plan covering substantially all of the District's employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributed to the plan at a rate of 3%, which increased to 4% on September 1, 2019, of eligible compensation, which is defined by the plan. The District's contributions to the plan were \$75,931 and \$90,894 for the years ended June 30, 2021 and 2020, respectively.

The District also sponsors and administers an optional 457(b) defined contribution retirement plan that matches employee contributions of up to 6% of their wages at a rate of 50%. The maximum contribution by the District is an additional 3%. The District's contributions become fully vested after five years of continuous service. The District's contributions to this plan were \$45,241 and \$45,717 for the years ended June 30, 2021 and 2020, respectively.

### Note 15: Collective Bargaining Agreement

The District has a collective bargaining agreement covering certain employees within its ambulance services (approximately 25 employees). The contract covering EMTs and paramedics expired on March 30, 2016, and negotiations concluded on September 30, 2019, with the District entering into a four-year contract that includes a 3% annual cost of living adjustment (COLA) for base wages, a 1% increase in employer retirement contributions, establishment of a labor management committee, an increase in the number of hours required for part-time employees to remain active, and restoration of many management rights.

# Del Puerto Health Care District

## Notes to Financial Statements

---

### **Note 16: COVID-19 Relief Funds and Grant Revenue**

During the years ending June 30, 2021 and 2020, Del Puerto received \$100,000 and \$347,414, respectively, in grant funding from the United States Department of Health and Human Services (HHS) Provider Relief Fund, which was established as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Based on the terms and conditions of the grant, Del Puerto earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, or by incurring lost revenues, defined as a negative change in year-over-year net patient revenue. During 2021 and 2020, Del Puerto recognized \$100,000 and \$347,414, respectively, in grant revenue related to this program, which reflects management's estimate of the amount of the grant earned, including consideration for uncertainties related to reporting guidance still developing as of the date the financial statements were available to be issued.