Report of Independent Auditors
and Financial Statements

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

June 30, 2022 & 2021

JWT & Associates, LLP
Advisory Assurance Tax

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Audited Financial Statements

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JWT & Associates, LLP

Advisory Assurance Tax

1111 East Herndon, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685

Report of Independent Auditors

The Board of Directors
Bear Valley Community Healthcare District
Big Bear Lake, California

Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Bear Valley Community Healthcare District (the District), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. 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 audit. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, the District adopted GASB 87 for the year beginning July 1, 2021 and ending June 30, 2022. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2023, 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.

JWT & Associates, LLP

Fresno, California
January 11, 2023

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis

June 30, 2022

The administration of the Bear Valley Community Healthcare District (the District) prepared the following Management Discussion and Analysis of the financial performance of the District for the fiscal year ended June 30, 2022 (FYE 2022) to accompany the financial statements prepared in accordance with the Governmental Accounting Standards Board Statement Numbers 34, 37 and 38. This discussion and the associated schedules are intended to provide an analysis, explanation, and historical basis of comparison for the reporting of financial results of the District for FYE 2022. The audited financial statements included herewith have been prepared and submitted with an unmodified opinion from the District's independent auditor.

Overview of the Bear Valley Community Healthcare District and its Financial Statements

This annual financial report consists of the audited financial statements included herewith and the associated notes to those statements that describe the District's combined financial position and results of operations for the FYE 2022. The audited financial statements of the District include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.

- The statement of net position includes all of the District's assets and liabilities, using the accrual basis of accounting, as well as any indication as to which assets are intended for use to fund future capital asset expenditures or otherwise designated as to use by board of director policy.
- The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operating and non-operating activities during the fiscal year and the associated incomes.
- The Statement of Cash Flows reports the net cash provided by operating activities, as well as other sources and uses of cash from investing, non-capital financing activities, and capital and related financing activities.

Financial Highlights

				Change	
	2022	**2021**	**2020**	**2022**	**2021**
Current assets	$ 7,205,250	$ 5,742,318	$ 7,076,611	$ 1,462,932	$ (1,334,293)
Current liabilities	8,160,887	9,059,504	9,969,424	(898,617)	(909,920)
Investments	36,526,966	39,135,702	33,942,664	(2,608,736)	5,193,038
Capital assets, net of depreciation	12,517,059	10,678,081	10,807,759	1,838,978	(129,678)
Long term debt	2,735,000	2,775,000	2,815,000	(40,000)	(40,000)
Total net position	45,443,758	43,721,597	39,042,608	1,722,161	4,678,989
Excess of revenues over expenses	$ 2,402,345	$ 5,715,242	$ 8,365,369	$ (3,312,897)	$ (2,650,127)

CURRENT ASSETS

Current assets are cash or other assets that could reasonably be expected to be converted into cash in one year. Current assets increased by $1,462,932 from last year. Net Patient Receivables decreased by $52,121. Cash increased by $649,705. Investments decreased by $2,608,736.

Current Assets				Change	
	2022	2021	2020	2022	2021
Current assets	**$ 7,205,250**	**$ 5,742,318**	**$ 7,076,611**	**$ 1,462,932**	**$ (1,334,293)**
Cash	1,993,967	1,344,262	3,981,146	649,705	(2,636,884)
Net patient receivables	3,121,270	3,173,391	2,318,898	(52,121)	854,493
Other Assets	1,206,425	248,508	140,340	957,917	108,168
Assets whose use is limited	144,375	144,375	144,375	-	-
Inventory	212,137	279,460	178,033	(67,323)	101,427
Prepaid expenses	527,076	552,322	313,818	(25,246)	238,504
Investments	$ 36,526,966	$ 39,135,702	$ 33,942,664	$ (2,608,736)	$ 5,193,038

Cash and Investments

The District maintains sufficient cash balances to pay its short-term liabilities. Excess funds are invested with the Local Agency Investment Fund (LAIF) for protection of amounts invested. LAIF is a voluntary fund created by statute in 1977 as an investment alternative for California's local governments and special districts.

During the year, our investments decreased by $2,608,736 bringing the total to $36,526,966.

For the year ending June 30, 202, the District's cash and investments decreased by $1,959,031. Total days cash on hand decreased from 537 to 442. See audited financial statements for additional information. Days Cash on Hand remains strong.

Cash and Investments

				Change	
	2022	2021	2020	2022	2021
Cash and cash equivalents	$ 1,849,592	$ 1,199,887	$ 3,836,771	$ 649,705	$ (2,636,884)
Assets whose use is limited	$ 144,375	$ 144,375	$ 144,375	-	-
Investments	36,526,966	39,135,702	33,942,664	(2,608,736)	5,193,038
Total cash and investments	$ 38,520,933	$ 40,479,964	$ 37,923,810	$ (1,959,031)	$ 2,556,154
Days cash on hand	442	537	556	-95	-19

Net Patient Accounts Receivable

Net patient accounts receivable at June 30, 2022, as compared to June 30, 2021, were lower by $52,121. Management and staff continue to work with our Accounts Receivable Management company (outsourced Patient Financial Services/Billing functions) to reduce Accounts Receivable and Accounts Receivable Days.

				Change	
	2022	**2021**	**2020**	**2022**	**2021**
Net patient receivables	3,121,270	3,173,391	2,318,898	(52,121)	854,493

Inventory

Inventory decreased by $67,323. With supply chain issues during the pandemic, we increased inventory to try and have adequate supplies to meet our needs (see FYE 2021 high inventory value). Inventory value decreased by the end of FYE 2022 as supply issues have eased.

				Change	
	2022	**2021**	**2020**	**2022**	**2021**
Inventory	$ 212,137	$ 279,460	$ 178,033	$ (67,323)	$ 101,427

CAPITAL ASSETS

Capital assets are long term assets such as buildings, improvements, and equipment with a purchase cost of $5,000 or more and a useful life greater than one year. Items costing less than $5,000 are expensed as minor equipment.

Capital assets, net of accumulated depreciation, increased by $1,838,978 as of June 30, 2022, over the prior year balance.

Capital Assets

				Change	
	2022	**2021**	**2020**	**2021**	**2020**
Property and equipment	$ 30,594,842	$ 27,480,692	$ 26,433,841	$ 3,114,150	$ 1,046,851
Less: accumulated depreciation	(18,077,783)	(16,802,611)	(15,626,082)	(1,275,172)	(1,176,529)
	$ 12,517,059	$ 10,678,081	$ 10,807,759	$ 1,838,978	$ (129,678)

Property and equipment increased $3,114,150 during FYE 2022. We continue to closely monitor capital expenditures. Notable expenditures in FYE 2022 included – modular walls in the ER; surgery monitors, scopes, and equipment; plumbing repairs for showers on SNF and Acute; parking lot / asphalt repairs; software licensing; purchase of Urgent Care; and housing property at Fawnskin.

CURRENT LIABILITIES

Current liabilities are short-term debts due in less than one year. At June 30, 2022, current liabilities decreased by $898,617.

Current Liabilities

	2022	2021	2020	Change 2022	Change 2021
Current Liabilities	**$ 8,160,887**	**$ 9,059,504**	**$ 9,969,424**	**$ (898,617)**	**$ (909,920)**
Current portion of long term debt	40,000	40,000	40,000	-	-
Current maturities of operating lease liability	90,370	-	-	90,370	-
Accounts payable	1,171,854	1,485,394	1,106,890	(313,540)	378,504
Unearned Income	1,479,991	1,607,677	4,519,952	(127,686)	(2,912,275)
Accrued compensation	936,612	862,992	905,115	73,620	(42,123)
Third-party payor settlements	4,442,060	5,063,441	3,397,468	(621,381)	1,665,973

Accounts Payable

Accounts payable decreased by $313,540. Days in Accounts Payable decreased from 46.4 to 29.0.

Third party settlements

The estimate for third party settlements is lower by $621,381 at June 30, 2022, as compared to the prior year-end. During the year we recorded settlements from prior year Cost Reports.

Both the Medicare and Medi-Cal program administrative procedures preclude final determination of amounts due to/from the District until the cost reports are audited and settled. Administration is of the opinion that no significant adverse adjustment to the recorded settlement amounts will be required upon final settlement.

PATIENT REVENUE AND DEDUCTIONS FROM REVENUE

Under antitrust statutes, hospitals are required to charge all patients the same price for a given level of service. Accordingly, the District charges all patients uniformly based on its established charge description master (CDM) pricing structure for the services rendered. In addition, all California hospitals are required to annually file an electronic version of their CDM, also known as the "charge master", with the Office of Statewide Health Planning (OSHPD). The District complies with the OSHPD filing requirement; therefore, an electronic version of the CDM is available from the OSHPD website. As of January 2020, we complied with the requirement to post Charge Master on our Website.

Gross patient revenue for FYE 2022 increased over the previous fiscal year by $2,750,964 or 5.2%. Inpatient Revenue saw a $649,733 decrease with decreases in both Acute and Swing patient days compared to the previous year. Outpatient Revenue (which includes Emergency Department and Clinics) saw a 5.7% increase. Emergency Department visits were 18.6%higher than the prior year. Clinic visits were 11.2% lower. Skilled Nursing Facility (SNF) resident days were lower, but reimbursement per day was higher.

Gross Patient Charges

				Change			
	2022	2021	2020	2022		2021	
Gross Patient Charges							
Inpatient	$ 2,163,535	$ 2,813,268	$ 1,325,504	$ (649,733)	-23.1%	$ 1,487,764	112.2%
Outpatient	51,264,445	48,483,914	46,300,075	2,780,531	5.7%	2,183,840	4.7%
Skilled Nursing Facility	2,735,918	2,115,752	2,279,197	620,166	29.3%	(163,445)	-7.2%
Total gross revenue	$ 56,163,898	$ 53,412,934	$ 49,904,776	$ 2,750,964	5.2%	$ 3,508,158	7.0%
Acute Inpatient Census Statistics							
Staffed beds 5							
Patient days	577	722	229	(145)	-20.1%	493	215.3%
Days in the year	365	365	366	-	0.0%	(1)	-0.3%
Average Daily Census	1.6	2.0	0.6	(0.4)	-20.1%	1.4	216.1%
Discharges	84	128	84	(44)	-34.4%	44	52.4%
Average Length of Stay	6.9	5.6	2.7	1.3	23.2%	2.9	107.4%
Swing Inpatient Census Statistics							
Staffed beds 5							
Patient days	138	218	270	(80)	-36.7%	(52)	-19.3%
Days in the year	365	365	366	-	0.0%	(1)	-0.3%
Average Daily Census	0.4	0.6	0.7	(0.2)	-36.7%	(0.1)	-19.0%
Discharges	17	8	16	9	112.5%	(8)	-50.0%
Average Length of Stay	8.1	27.3	16.9	(19.2)	-70.3%	10.4	61.5%
Skilled Nursing Facility Census Statistics							
Staffed beds 21							
Patient days	4,438	4,747	5,125	(309)	-6.5%	(378)	-7.4%
Average Daily Census	12.2	13.0	14.0	(0.8)	-6.5%	(1.0)	-7.1%
Discharges	16	11	26	5	45.5%	(15)	-57.7%
Emergency Department Visits	12,426	10,476	11,849	1,950	18.6%	(1,373)	-11.6%
Clinic Visits	19,334	21,766	25,360	(2,432)	-11.2%	(3,594)	-14.2%

Deductions from Revenue

A contractual adjustment is the difference between gross charges and an established or contractually agreed-upon payment rate with third-party payors. Typically, third-party payors are 1) government programs such as Medicare and Medi-Cal; 2) Independent Practice Associations (IPA) such as Heritage Victor Valley Medical Group, which are often referred to as "gatekeeper physicians", and 3) other third-party payors or Preferred Provider Organizations (PPO) networks, which generally include insurance carriers such as Blue Cross, Blue Shield, Health Net, Aetna, etc.

Contractual adjustments are accrual-based on estimates derived from historical reimbursement experience using remittance advices by payor and by type of account (inpatient, outpatient, or clinic), adjusted for known exposures, such as payment denials, and are used to reduce the gross charges to the expected realizable value.

Contractual adjustments as a percentage of gross patient charges, excluding prior year third-party settlement adjustments, were 50.6% for FYE 2022 compared to 45.3% for FYE 2021.

FYE 2014 was our first year as a Critical Access Hospital (CAH). We continue to review CAH status and impacts each year.

Additionally, deductions from revenue include other uncompensated care categories such as Charity Care, Administrative Adjustments, Patient Discounts (principally discounts offered to uninsured or private pay patients who do not qualify for financial assistance) and Employee Discounts. Effective January 1, 2007, the California State Assembly passed AB 774, which requires all hospitals in California to follow a specific state-mandated means testing process to determine if a patient qualifies for financial assistance. The charity care can range from a full write-off to a partial write-off of the patient's outstanding balance. Furthermore, OSHPD requires every hospital to file an electronic copy of its financial assistance policy. As of June 30, 2020, the District is in compliance with the financial assistance policy reporting requirement.

Total deductions from revenue, including the provision for bad debts, as a percent of gross patient revenue, was 48.0% for FYE 2022 vs 48.9% for FYE 2021.

	2022	2021	Change 2022
Deductions from Revenue			
Contractual adjustments	$ 26,884,203	$ 24,174,850	$ 2,709,353
Prior year contractual allowances	(4,330,221)	(1,270,368)	$ (3,059,853)
Charity Care	253,141	238,369	$ 14,772
Administrative	197,745	113,820	$ 83,925
Patient discount	264,604	180,914	$ 83,690
Employee discount	187,321	116,899	$ 70,422
Bad Debts	2,047,695	2,577,364	$ (529,669)
	$ 25,504,488	$ 26,131,848	
Deductions from Revenue as a percent of gross revenue			
Contractual adjustments	50.6%	45.3%	5.3%
Prior year contractual allowances	-8.1%	-2.4%	-5.8%
Charity Care	0.5%	0.4%	0.0%
Administrative	0.4%	0.2%	0.2%
Patient discount	0.5%	0.3%	0.2%
Employee discount	0.4%	0.2%	0.1%
Bad Debts	3.9%	4.8%	-1.0%
Total	48.0%	48.9%	-1.0%

Provision for Bad Debts/Allowance for Doubtful Accounts

The provision for bad debts or Allowance for Doubtful Accounts decreased for FYE 2022, as compared to the previous fiscal year. As a percent of gross revenue, bad debts were 3.6% for the current fiscal in comparison to 5.0% for the prior year.

Allowance for Doubtful Accounts

	2022	2021	2020	Change 2022	Change 2021
Bad debt expense	$ 2,047,695	$ 2,694,660	$ 1,619,494	$ (646,965)	$ 1,075,166
Bad debt expense as a percent of gross revenue	3.6%	5.0%	3.2%	-1.4%	1.8%

Net Patient Revenue

Net patient revenue is the difference between gross patient charges and revenue deductions. For FYE June 30, 2022, net patient services revenues increased $3,378,324 or 12.4% from the previous fiscal year. Net patient revenue increased due to increases in revenue and volume in Outpatient (Emergency Room and Clinics revenues), and Skilled Nursing Facility.

Net Patient Revenue

	2022	2021	2020	Change 2022	Change 2021
Net patient service revenue	$ 30,659,410	$ 27,281,086	$ 27,947,842	$ 3,378,324	$ (666,756)

OPERATING EXPENSES

Total operating expenses in FYE 2022 were $33,096,927 compared to $28,700,153 for FYE 2021 – an increase of 15.3%.

Salaries, Wages, and Benefits (which were 51.6%of Total Operating Expenses) increased by 7.8%. We also saw an increase in Purchased Services with additional expenses related to the pandemic for contract staffing (nursing, laboratory, and other departments). Supply expense increased by 8.2%. We continue to see high costs due to the pandemic.

	2022		2021		2020		Change 2022	Change 2021
Salaries and wages	$ 14,298,221	43.2%	$ 13,249,079	46.2%	$ 11,947,584	45.9%	$ 1,049,142	$ 1,301,495
Employee benefits	2,785,966	8.4%	2,593,416	9.0%	2,644,525	10.2%	192,550	(51,109)
Total salaries and benefits	17,084,187	51.6%	15,842,495	55.2%	14,592,109	56.1%	1,241,692	1,250,386
Professional fees	4,153,788	12.6%	2,750,523	9.6%	2,081,288	8.0%	1,403,265	669,235
Purchased services	5,096,782	15.4%	4,244,710	14.8%	3,904,618	15.0%	852,072	340,092
Supplies	2,461,159	7.4%	2,274,933	7.9%	1,928,906	7.4%	186,226	346,027
Repairs and maintenance	561,529	1.6%	669,264	2.2%	719,957	2.7%	(107,735)	(50,693)
Utilities	567,875	1.7%	498,793	1.7%	526,889	2.0%	69,082	(28,096)
Rentals and leases	365,927	1.1%	353,969	1.2%	195,712	0.8%	11,958	158,257
Depreciation and amortization	1,275,173	3.9%	1,176,528	4.1%	1,050,652	4.0%	98,645	125,876
Insurance	922,772	2.8%	451,421	1.6%	381,178	1.5%	471,351	70,243
Other operating expenses	607,735	1.8%	437,517	1.5%	633,338	2.4%	170,218	(195,821)
Total Operating Expenses	$ 33,096,927	100%	$ 28,700,153	100%	$ 26,014,646	100%	$ 4,396,774	$ 2,685,507

Supply Costs

Supply costs as a percentage of gross revenue increased from 4.3% in FYE 2021 to 4.4% in FYE 2022. As previously noted Supply costs have continued to stay high with pricing and usage. Management continues to work with our group purchasing organization (GPO), QHR Plus, and HealthTrust Purchasing Group (HPG), to identify opportunities for supply cost reductions.

				Change	
	2022	**2021**	**2020**	**2022**	**2021**
Supply costs	2,461,159	2,274,933	1,928,906	$ 186,226	$ 346,027
Supply costs as a percent of gross revenue	4.4%	4.3%	3.9%	0.1%	0.4%

FISCAL YEAR 2023 BUDGET AND ECONOMIC FACTORS

The District's Board of Directors approved the Budget for FYE ending June 30, 2023 (FYE 2023) at a general board meeting. The financial plan for FYE 2023, compared to projected results during the budget process, included an increase in Gross Revenue due to volume projections and a 3% rate / charge increase and an increase in Net Revenue. Operating Expense is budgeted to increase by 3.0%. The net result is a budgeted Surplus of $3,273,039.

Capital expenditure plans for FYE 2023 include flooring and other improvements in Surgery and Recovery Room, additional CT workstation, transport ventilator, flooring and walls in cafeteria, replace fire alarm panel, replacing security cameras, and multifactor authentication for computer systems access.

Current and future favorable operations are helped by the continuation of a parcel tax assessed on property located in the Big Bear Valley area and an allocation of county tax revenue. The projected tax revenue for FYE 2023 is $2,590,000.

BUSINESS STRATEGIES

In May 2014, the District converted to Critical Access Hospital (CAH) status. Our Analysis after filing FYE 2021 Cost Report showed a favorable impact of $1,310,558 for the year from CAH status as compared to payments we would have received as a PPS (Prospective Payment System) Hospital. FYE 2020 favorable impact was $1,067,607.

Revenue cycle management and cost containment strategies

Administration is continuing its efforts to improve the revenue cycle process by monitoring provider contract administration, accounts receivable through our Accounts Receivable Management agreement, and working with QHR Health (Management Company) consultants.

Also, administration will continue to work to monitor and lower operating expenses as possible to improve the net operating margin.

Status of Regulatory Requirements

• The District is in compliance with applicable state and federal regulations.
• The facility was reclassified as SPC-2 under HAZUS to comply with Senate Bill (SB) 1953.

Administration is working to meet the SB 1953 deadline under NPC-3 performance levels that requires healthcare institutions to be in compliance by the year 2030. Accordingly, the objective is to identify the full extent of equipment and non-structural items that must meet NPC-3 anchorage requirement. Once a plan is established the District will develop a timetable to ensure compliance with NPC-3 performance level as quickly as possible. We continue to focus on operations to improve cash flow to have funds to pay toward such a costly undertaking.

• On January 1, 2007, Assembly Bill (AB) 774 Charity Care and Discount Payment law was effective. The District implemented and updated its charity and discount payment policy to conform to the requirements of AB 774. Additionally, in 2008 all acute care hospitals were required to file electronically their Charity Care and Discount Payment Policy with OSHPD. The District is in compliance with OSHPD policy.
• Administration reviewed the charge description master (CDM), updated it as necessary, and as required filed the electronic CDM with OSHPD.
• The State of California had proposed a reduction in the Distinct-Part Skilled Nursing Facility (DP/SNF) reimbursement rate to 90% of the 2008-2009 level in AB 97, with a caveat to apply this reduction retroactively with a "clawback" demand for repayment. The Department of Health Care Services (DHCS) did announce in August 2013 that rural DP/SNFs would be exempted from this rate reduction. The clawback provision was eliminated during FYE 2016.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

Beginning in 2002, the District began an effort to comply with the Health Insurance Portability and Accountability Act (HIPAA) enacted by the federal government. Required steps to comply with provisions of the Act have been put into place within the periods specified therein. Upgrades to our patient information system have already been installed to meet the security requirements. The information system infrastructure will continue to be reviewed throughout the stages of HIPAA enforcement to ensure continued compliance. The employees of the District continue to be educated in the privacy requirements of the Act. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Moreover, the state of California passed a law requiring additional state requirements regarding patient confidentiality. The District complies with the HIPAA and the new California law.

ELECTRONIC HEALTH RECORD (EHR)

In 2009, the American Recovery and Reinvestment Act (ARRA) was signed into law. The Health Information Technology Economic and Clinical Health (HITECH) Act is part of the ARRA. The HITECH Act created the Medicare and Medicaid (Medi-Cal in California) EHR incentive programs, which will provide incentive payments to eligible professionals and hospitals that adopt and demonstrate Meaningful Use (MU) of certified EHR technology. These incentives are considered to be of high strategic importance by virtually all healthcare organizations in the United States to further the federal government's goal of achieving health care reform and improvement of clinical outcomes for the population. The District implemented its electronic medical records system effective April 1, 2013 and attested that it has achieved MU as of October 2013. We continue to meet the requirements of MU.

Bear Valley Community Healthcare District

Statements of Net Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 38,520,933	$ 40,479,963
Patient accounts receivable, net of allowances	3,121,270	3,173,391
Other receivables and physician advances	1,206,425	248,508
Assets whose use is limited	144,375	144,375
Supplies	212,137	279,460
Prepaid expenses and deposits	527,076	552,322
Total current assets	43,732,216	44,878,019
Right-of-use assets	440,507	-
Capital assets, net of accumulated depreciation	12,517,059	10,678,082
Total assets	$ 56,689,782	$ 55,556,101
Liabilities and Net Position		
Current liabilities		
Current portion of long-term debt	$ 40,000	$ 40,000
Current maturities of operating lease liability	90,370	-
Accounts payable and accrued expenses	1,171,854	1,485,394
Accrued payroll and related liabilities	936,612	862,992
Third-party payor settlements	4,442,060	5,063,441
Deferred revenue	1,479,991	1,607,677
Total current liabilities	8,160,887	9,059,504
Operating lease liability, net of current maturities	350,137	-
Long-term debt, less current portion	2,735,000	2,775,000
Total liabilities	11,246,024	11,834,504
Net position		
Invested in capital assets, net of related debt	9,742,059	7,863,082
Unrestricted	35,701,699	35,858,515
Total net position	45,443,758	43,721,597
Total liabilities and net position	$ 56,689,782	$ 55,556,101

See accompanying notes to the financial statements

Bear Valley Community Healthcare District

Statements of Revenues, Expenses and Changes in Net position

For The Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues		
Net patient service revenue	$ 30,128,496	$ 26,865,766
Other operating revenue	2,627,183	4,562,891
Total operating revenues	32,755,679	31,428,657
Operating expenses		
Salaries & wages	14,298,221	13,249,079
Employee benefits	2,785,966	2,593,416
Professional Fees	4,153,788	2,750,523
Purchased services	5,096,782	4,244,710
Supplies	2,461,159	2,274,933
Repairs & maintenance	561,529	669,264
Utilities	567,875	498,793
Rentals and leases	365,927	353,969
Depreciation & amortization	1,275,173	1,176,528
Insurance	922,772	451,421
Other operating expenses	607,735	437,517
Total operating expenses	33,096,927	28,700,153
Operating income (loss)	(341,248)	2,728,504
Nonoperating revenues (expenses)		
District tax revenues	2,675,025	2,586,082
Capital grants and donations	186,493	279,951
Investment income	147,885	209,944
Interest expense	(100,315)	(89,239)
Other revenue (expense)	(165,495)	-
Total nonoperating revenues (expenses)	2,743,593	2,986,738
Excess of revenues (expenses)	2,402,345	5,715,242
Inter-governmental transfers	(680,184)	(1,036,253)
Increase in net position	1,722,161	4,678,989
Net position, beginning of the year	43,721,597	39,042,608
Net position, end of year	$ 45,443,758	$ 43,721,597

See accompanying notes to the financial statements

Bear Valley Community Healthcare District

Statements of Cash Flows

For The Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash received from patients and third-party payers	$ 29,559,236	$ 27,677,246
Other receipts	1,541,580	1,542,448
Cash payments to suppliers and contractors	(14,967,227)	(11,642,556)
Cash payments to employees and benefit programs	(17,010,567)	(15,884,618)
Net cash provided by operating activities	(876,978)	1,692,520
Cash flows from non-capital and related financing activities		
District tax revenue	2,675,025	2,586,082
Net cash provided by non-capital and related financing activities	2,675,025	2,586,082
Cash flows from capital and related financing activities		
Purchase of property, plant & equipment	(3,114,150)	(1,046,852)
Acquisition of right-of-use assets	(440,507)	
New operating lease liability	494,624	
Payments of operating lease liability	(54,117)	
Capital grants and contributions	186,493	279,951
Payments of long-term debt	(40,000)	(40,000)
Interest paid on capital debt	(87,037)	(89,239)
Net cash used in capital and related financing activities	(3,054,694)	(896,140)
Cash flows from investing activities		
Inter-governmental transfers	(680,184)	(1,036,253)
Other non-operating expense	(170,084)	-
Investment income	147,885	209,944
Net cash used in investing activities	(702,383)	(826,309)
Increase in cash and cash equivalents	(1,959,030)	2,556,153
Cash and cash equivalents at beginning of year	40,479,963	37,923,810
Cash and cash equivalents at end of year	$ 38,520,933	$ 40,479,963

See accompanying notes to the financial statements

Bear Valley Community Healthcare District

Statements of Cash Flows (continued)

For The Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income	$ (349,937)	$ 2,728,504
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,275,173	1,176,528
Changes in operating assets and liabilities		
Patient accounts receivable	52,121	(854,493)
Other receivables	(957,917)	(108,168)
Supplies	67,323	(101,427)
Prepaid expenses	25,246	(238,504)
Accounts payable and accrued expenses	(313,540)	378,505
Accrued payroll and related expenses	73,620	(42,123)
Deferred revenue	(127,686)	(2,912,275)
Third-party payor settlements	(621,381)	1,665,973
Net cash provided by operating activities	$ (876,978)	$ 1,692,520

See accompanying notes to the financial statements

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: Bear Valley Community Health Care District (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District operates a hospital, Bear Valley Community Hospital (the Hospital), for the community of Big Bear Lake and the surrounding area. The Hospital is a 30-bed facility that provides general acute and skilled nursing care. As a political subdivision of the State of California, the District is generally not subject to federal or state income taxes.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Financial Statement Presentation: The District applies the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method. The application of these accounting standards had no impact on the total net position.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Assets Limited as to Use: Assets limited as to use include amounts designated by the Board of Directors for replacement or purchases of capital assets and other specific purposes. Assets limited as to use consist of money market accounts on hand with banking institutions.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2022, and 2021, the District has determined that no capital assets are impaired.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Compensated Absences: The employees of the District earn paid time off ("PTO") benefits at varying rates. The rate is determined based on their years of service. This PTO benefit can accumulate up to specified maximum levels. Employees may use their accumulated PTO for vacation, holidays and sick leave. Accumulated PTO benefits are paid to an employee upon either termination or retirement. Accrued PTO liabilities as of June 30, 2022, and 2021 are $636,230 and $592,293, respectively.

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

Net Position: Net position (formally net assets) is presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net assets that do not meet the definition or criteria of the previous two categories.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

District Tax Revenues: The District receives financial support from property taxes. These funds are used to support operations. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date. The District received tax revenue totaling $2,675,025 and $2,586,082 for the years ended June 30, 2022 and 2021, respectively. Property tax revenues accounted for 7.5% of the District's total revenues for the years ended June 30, 2022 and 2021.

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

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Non-operating revenues and expenses are those transactions not considered directly linked to providing health care services.

Recently Adopted Accounting Pronouncement: In June, 2017 the Governmental Accounting Standards Board released GASB 87 regarding changes in the way leases are accounted for. GASB 87 superseded GASB 13 and GASB 62 and more accurately portrays lease obligations by recognizing lease assets and lease liabilities on the statement of net position and disclosing key information about leasing arrangements. The District has adopted GASB 87 effective July 1, 2021 in accordance with the timetable established by GASB 87.

Subsequent events**:** Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE 2 - INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

The District regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The District has various sources of liquidity at its disposal as itemized in the table presented below. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the District considers all expenditures related to its ongoing activities of providing health care services as well as the conduct of services undertaken to support those activities, to be general expenditures.

The District strives to maintain liquid financial assets sufficient to cover at least 30 days of expenditures. The District's policy is that excess cash on hand is invested in investment instruments with liquidity requirements to enable District usage of those assets within a short time period.

The following table reflects the District's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	2022	2021
Cash and cash equivalents	$ 38,665,308	$ 40,624,338
Patient accounts receivable, net of allowances	3,121,270	3,173,391
Other receivables	1,206,425	248,508
Total financial assets	42,993,003	44,046,237
Less reduction of financial assets not available for general expenses	(144,375)	(144,375)
Total financial assets available for one year of general expenses	$ 42,848,628	$ 43,901,862

In addition to financial assets available to meet general expenditures over the next 12-month period, the District operates a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by assets limited as to use and donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the District's cash flow and shows positive cash generated by operations for fiscal years 2022 and 2021.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2022 and 2021, the District had deposits invested in various financial institutions in the form of cash and cash equivalents amounting to $38,662,708 and $40,621,738. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for $250,000 per account that is federally insured.

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

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

NOTE 4 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS

The District renders services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations (HMOs), preferred provider organizations (PPOs) and other insurance programs. Patient service revenues from these programs approximate 96% of gross patient service revenues.

The Medicare Program reimburses the District on a cost basis payment system for inpatient and outpatient hospital services. The cost-based reimbursement is determined based on filed Medicare cost reports. Skilled nursing services are reimbursed on a predetermined amount based on the Medicare rates for the services.

The District contracts to provide services to Medi-Cal, HMO and PPO inpatients on negotiated rates. Certain outpatient reimbursement is subject to a schedule of maximum allowable charges for Medi-Cal and to a percentage discount for HMOs and PPOs. The skilled nursing facility (SNF) is reimbursed by the Medi-Cal program on a prospective per diem basis subject to audit by the state. The results of the state audits are incorporated prospectively and are subject to appeal by the provider.

NOTE 4 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS (continued)

Both the Medicare and Medi-Cal program's administrative procedures preclude final determination of amounts due to the District for services to program patients until after patients' medical records are reviewed and cost reports are audited or otherwise reviewed by and settled with the respective administrative agencies. The Medicare and Medi-Cal cost reports are subject to audit and possible adjustment. Management is of the opinion that no significant adverse adjustment to the recorded settlement amounts will be required upon final settlement.

Medicare and Medi-Cal revenue accounts for approximately 26% of the District’s net patient revenues for the years ended June 30, 2022 and 2021. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 5 - INVESTMENTS

The District’s investment balances, and average maturities were as follows at June 30, 2022 and 2021:

2022				
		Investment Maturities in Years		
	Fair Value	Less than 1	1 to 5	Over 5
Government investment funds	$ 36,526,966	$ 36,526,966	$ -	$ -
Total investments	$ 36,526,966	$ 36,526,966	$ -	$ -

2021				
		Investment Maturities in Years		
	Fair Value	Less than 1	1 to 5	Over 5
Government investment funds	$ 39,135,702	$ 39,135,702	$ -	$ -
Total investments	$ 39,135,702	$ 39,135,702	$ -	$ -

The District’s investments are reported at fair value as previously discussed. The District’s investment policy allows for various forms of investments generally set to mature within a few months to others over 15 years. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk. Currently all investments have a maturity of less than one year.

NOTE 5 – INVESTMENTS (continued)

Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were $147,885 and $209,944 for the years ended June 30, 2022 and 2021, respectively. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use. Debt securities, when present, are recorded at market price or the fair market value as of the date of each balance sheet.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's exposure to interest rate risk is minimal as 100% of their investments have a maturity of less than one year. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The District's investments in such obligations are in government investment funds. The District believes that there is minimal credit risk with these obligations at this time.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investments are generally held by banks or government agencies. The District believes that there is minimal custodial credit risk with their investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investments are held as follows: governmental agencies 100%. The District's investment policy generally allows for different concentrations in selected investment portfolios such as government-backed securities, which are deemed to be lower risk. District management monitors the entities which hold the various investments to ensure they remain in good standing.

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2022, were comprised of cash held in a Debt Service Reserve Fund as required by the terms of a sale and leaseback agreement entered into by the District in January 2016. Under the agreement the District was initially required to make annual payments into the Debt Service Reserve Fund equal to $1/10^{th}$ of the current annual lease payment. The District established this fund accordingly and at June 30, 2022 the balance totaled $144,375. See Note 9.

NOTE 7 - 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 that there is any credit risk associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2022 and 2021 were as follows:

	2022	2021
Medicare	$ 1,008,190	$ 905,651
Medi-Cal and Medi-Cal pending	2,564,007	2,567,360
Other third party payors	3,557,646	3,040,192
Self pay and other	2,825,340	2,521,153
Gross patient accounts receivable	9,955,183	9,034,356
Less allowances for contractual adjustments and bad debts	(6,833,913)	(5,860,965)
Net patient accounts receivable	$ 3,121,270	$ 3,173,391

NOTE 8 - OTHER RECEIVABLES

Other receivables as of June 30, 2022 and 2021 were comprised of the following:

	2022	2021
Grants	$ 183,315	$ 183,267
District tax revenue	71,404	55,519
Urgent Care	948,327	-
Other	3,379	9,722
	$ 1,206,425	$ 248,508

NOTE 9 - CAPITAL ASSETS

Capital assets as of June 30, 2022 and 2021 were comprised of the following:

	Balance at June 30, 2021	Transfers & Additions	Transfers & Retirements	Balance at June 30, 2022
Land and land improvements	$ 3,061,292	$ 557,100	$ -	$ 3,618,392
Buildings and improvements	10,194,722	1,007,125	-	11,201,847
Equipment	13,850,498	1,437,815	-	15,288,313
Construction-in-progress	374,181	371,133	(259,023)	486,291
Totals at historical cost	27,480,693	$ 3,373,173	$ (259,023)	30,594,843
Less accumulated depreciation	(16,802,611)	$ (1,275,173)	$ -	(18,077,784)
Capital assets, net	$ 10,678,082			$ 12,517,059

	Balance at June 30, 2020	Transfers & Additions	Transfers & Retirements	Balance at June 30, 2021
Land and land improvements	$ 3,061,292	$ -	$ -	$ 3,061,292
Buildings and improvements	10,157,771	36,951	-	10,194,722
Equipment	12,998,413	852,085	-	13,850,498
Construction-in-progress	216,365	184,821	(27,005)	374,181
Totals at historical cost	26,433,841	$ 1,073,857	$ (27,005)	27,480,693
Less accumulated depreciation	(15,626,083)	$ (1,176,528)	$ -	(16,802,611)
Capital assets, net	$ 10,807,758			$ 10,678,082

NOTE 10 - DEBT BORROWINGS

Long-term debt at June 30, 2022 and 2021 consists of the following:

	2022	2021
Note payable to the Public Property Financing Corporation of California, original amount of $3,000,000, bearing interest at 3.125%, principal payable annually and interest payable biannually per schedule, maturing in December 2055, secured by property, building and improvements.	$ 2,775,000	$ 2,815,000
Total debt borrowings	2,775,000	2,815,000
Less current maturities	(40,000)	(40,000)
Debt borrowings, net of current maturities	$ 2,735,000	$ 2,775,000

Effective January 1, 2016, the District entered into a sale and leaseback agreement with the United States Department of Agriculture, acting through the Rural Housing Service and the Public Property Financing Corporation of California, for the Brenda Boss Family Resource Center. The Brenda Boss Family Resource Center is a building recently constructed by the District on the District's main hospital campus and was put into service during the fiscal year ended June 30, 2014. In accordance with GAAP, the sale and leaseback agreement will be treated as a financing transaction. The principal amount borrowed totaled $3,000,000, with an annual interest rate of 3.125%. Principal is payable annually on December 1st starting in 2016 and continuing through 2055 per a schedule with payments ranging in amounts from $35,000 to $140,000. Interest is payable biannually on June 1st and December 1st in an amount equal to the current outstanding principal balance multiplied by the annual interest rate of 3.125% and divided by two, for a six-month interest amount. There is no provision for a pre-payment penalty. The District must establish and maintain a Debt Service Reserve Fund throughout the term of the sale and leaseback agreement. The District is required to make annual payments into the Debt Service Reserve Fund equal to 1/10th of the current annual lease payment. The District established this fund and at June 30, 2022, the balance totals $144,375. Upon completion of the sale and leaseback agreement, ownership and title of the Brenda Boss Building will revert to the District with no encumbrances.

Future principal maturities for debt borrowings for the next five years are: $45,000 in 2023; $45,000 in 2024; $45,000 in 2025; $45,000 in 2026; $50,000 in 2027 and $2,595,000 thereafter.

NOTE 11 - LEASES

The District leases certain office space under operating leases. Lease commencement occurs on the date the District takes possession or control of the property. Original terms for facility related leases are generally between three to five years. Some of the District's leases also include rental escalation clauses and/or termination provisions. Renewal options and termination options are included in determining the lease payments when management determines the options are reasonably certain of exercise.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value: however, substantially all of the District's leases do not provide a readily determinable implicit rate. When the implicit rate is not determinable, the District's estimated incremental borrowing rate is utilized, determined on a collateralized basis, to discount lease payments based on information available at lease commencement.

The District's leases typically require payment of common area maintenance and real estate taxes which represent the majority of variable lease costs. Certain lease agreements also provide for variable rental payments based on sales performance in excess of specified minimums, usage measures, or changes in the consumer price index. Variable rent payments based on future performance, usage, or changes in indices were not significant for any of the periods presented. Variable lease costs are excluded from the present value of lease obligations.

The District's lease agreements do not contain any material restrictions, covenants, or any material residual value guarantees.

Lease related assets and liabilities as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Assets		
Right-of-use assets	$ 440,507	$ -
Liabilities		
Operating lease liability, current	$ 90,370	$ -
Operating lease liability, less current portion	350,137	-
	$ 440,507	$ -

Total operating lease expense for the year ended June 30, 2022 and 2021 was $365,927 and $353,969, respectively.

NOTE 11 – LEASES (continued)

The future minimum rental payments required under operating lease obligations as of June 30, 2022, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ended June 30,		
2023	$	104,347
2024		104,347
2025		100,844
2026		62,312
Thereafter		109,047
		480,897
Less interest		(40,390)
Present value of lease liability	$	440,507

The weighted-average remaining lease term and discount rate as of June 30, 2022 are as follows:

Weighted-average remaining lease term	
Operating leases (years)	4.61
Weighted-average discount rate	
Operating leases	3.5%

NOTE 12 - RETIREMENT PLANS

The District has a defined contribution retirement plan covering substantially all of the District's employees. In a defined contribution retirement plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes to the plan at a rate of two to four percent of eligible compensation, based on the length of the employee's service as defined by the plan. The District's contributions become fully vested after three years of continuous service. The District's pension expense for the plan was $185,588 and $165,809 during the years ended June 30, 2022 and 2021, respectively.

NOTE 14 - INCOME TAXES

The District is a political subdivision of the State of California organized under the Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The District has been determined to be exempt from income taxes under Local Health Care District Law. Accordingly, no provision for income taxes is included in the accompanying financial statements. In accordance with guidance on accounting for uncertainty in income taxes, the District's management has evaluated the District's tax positions and does not believe the District has any uncertain tax positions that require disclosure or adjustment to the financial statements. The District is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2022, the District has $486,291 recorded as construction-in-progress which represents cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. No interest was capitalized under FAS 62 during the years ended June 30, 2022 and 2021. Estimated costs to complete current obligated construction-in-progress projects as of June 30, 2022 are approximately $2,866,000. Costs are to be financed with District reserves and continued District operations.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2022, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Workers Compensation Program: The District is a participant in the Association of California Hospital District's ALPHA Fund which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The District pays premiums to the ALPHA Fund which is adjusted annually. If participation in the ALPHA Fund is terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the ALPHA Fund.

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations including future financial commitments that will be required.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (continued)

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements and reimbursement for patient services, antitrust, anti-kickback and anti-referral by physicians, false claims prohibitions and, in the case of tax-exempt organizations, the requirement of tax exemption. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations, quality of care provided to patients, and handling of controlled substances. Violations of these laws and regulations could result in expulsion from government health care programs with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed.

Laws and regulations concerning government programs, including Medicare, Medicaid and various other programs, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements.

Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines and penalties and exclusion from related programs. The District expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the District's compliance with these regulations, and it is not possible to determine the effect (if any) such claims or penalties would have upon the District.

JWT & Associates, LLP

Advisory Assurance Tax

1111 E. Herndon Avenue, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax:(559) 431-7685

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

The Board of Directors
Bear Valley Community Healthcare District
Big Bear Lake, California

We have audited, in accordance with the 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 Bear Valley Community Healthcare District (the District), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the 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 District'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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JWT & Associates, LLP

Fresno, California
January 11, 2023

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

I. Summary of Auditor's Results

Type of auditor's report issued:	Unmodified	
Internal Control over financial reporting:		
Material weakness identified?	___yes	_X_no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___yes	_X_no
Noncompliance material to financial statements noted?	___yes	_X_no

II. Current Year Audit Findings and Questioned Costs

Financial Statement Findings

None reported

III. Prior Year Audit Findings and Questioned Costs

None reported