



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

Board of Trustees  
Humboldt County Hospital District  
doing business as Humboldt General Hospital  
Winnemucca, Nevada

We have audited the financial statements of Humboldt County Hospital District doing business as Humboldt General Hospital (the Hospital) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hospital are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Hospital during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Hospital's financial statements were:

- Management's estimate of the allowance for uncollectible accounts and contractual adjustments is based on expertise, third party collection history, and any unusual circumstances.
- Management's estimate of third party settlements is based on interim payments, expenses, revenues, and patient statistical data.
- Management's estimate of net pension liability, deferred outflows of resources, deferred inflow of resources, and pension expense is based on actuarially determined values and other calculations provided by the Public Employees' Retirement System of Nevada.

We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts and contractual adjustments, third-party settlements, net pension liability, deferred outflows of resources, deferred inflow of resources, and pension expense in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following significant misstatements were detected as a result of audit procedures and were corrected by management:

Audit adjustments were necessary to adjust the contractual adjustments allowance and accrued payroll.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. Management did not agree with our reporting of the allowance for contractual adjustments finding as a significant deficiency, and has indicated such disagreement in their response to the finding.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 6, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Hospital's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hospital's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability and Schedule of Hospital's Contributions, Public Employees' Retirement System of Nevada, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of budget and actual revenues and expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Trustees and management of Humboldt County Hospital District doing business as Humboldt General Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
December 6, 2019



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

Board of Trustees  
Humboldt County Hospital District  
doing business as Humboldt General Hospital  
Winnemucca, Nevada

In planning and performing our audit of the financial statements of Humboldt County Hospital District doing business as Humboldt General Hospital (the Hospital) as of and for the year ended June 30, 2019, we considered the Hospital's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of opportunities for strengthening the District's internal controls and operating efficiency. This letter does not affect our report dated December 6, 2019, on the financial statements of the Hospital.

We will review the status of these comments during our next audit engagement. Our comments are summarized as follows:

***Charge Master Review***

The Hospital does not have a formal process for internal review of the charge master. We recommend the charge master is reviewed internally each year.

***Charge Capture Procedures and Protocols***

There are no written procedures and protocols for charge capture in each department. We recommend developing policies for charge capture for each department. The policies should include the following information:

- A description of the department and services provided
- Specific compliance guidelines for respective charges
- How to enter charges and/or what tools to use
- Where to route the charge tools for entry
- Description of the reconciliation process

***Charge Capture Committee***

The Hospital does not have a formal charge capture committee, increasing the risk that patient bills may not include all charges which should be billed. We recommend a committee be formed with representation from the following groups included: nursing, patient financial services, health information management, compliance, and administration. We recommend this committee meet on a monthly basis and review a sample of patient visits representing the entire line of hospital services for accuracy of charges.

***Payroll Processing***

Payroll is able to be processed without approval from a supervisor. We recommend having the Hospital's payroll system vendor implement a program disabling payroll from being processed until approved by a supervisor. In the case a supervisor is unavailable or does not review, a review by Human Resources, the CFO, or CEO should be obtained prior to processing payroll. These procedures reduce the risk of erroneous or fraudulent payroll being processed and paid.

***Third Party Service Providers***

The Information Technology (IT) department does not monitor performance by third party service providers. We recommend the IT department track all third party service providers with access to their internal network and the type of access, such as read-only access or the ability to edit settings and software on the Hospital's internal network.

***Cash***

Currently, no system exists for the CFO to mark when she has completed a review of the bank reconciliations performed by the controller. Although there is a system in place for the preparer of the reconciliation to sign off on completion, it is not consistently completed. We recommend the bank reconciliation preparer sign off on each reconciliation, with the reviewer signing off after review as evidence of the first review.

***Accounts Receivable***

Hospital statistics are tracked using the Hospital's revenue system. We recommend each department maintain their own relevant statistics and reconcile their statistics to the revenue system on a regular basis. This will ensure procedures performed are appropriately being billed.

***Closing***

This communication is intended solely for the information and use of the Board of Trustees and management, and others within the Hospital, and is not intended to be and should not be used by anyone other than these specified parties.

***Dingus, Zarecor & Associates PLLC***

Spokane Valley, Washington  
December 6, 2019

**Humboldt County Hospital District  
doing business as  
Humboldt General Hospital**

Basic Financial Statements and  
Independent Auditors' Reports

June 30, 2019 and 2018



**DINGUS | ZARECOR & ASSOCIATES<sup>PLLC</sup>**  
Certified Public Accountants

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
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**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Humboldt County Hospital District  
doing business as Humboldt General Hospital  
Winnemucca, Nevada

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

We have audited the accompanying financial statements of Humboldt County Hospital District doing business as Humboldt General Hospital (the Hospital) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

#### ***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 of America; 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.

#### ***Auditors' 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 auditors' 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 auditors consider 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 Hospital as of June 30, 2019 and 2018, 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 of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the schedule of proportionate share of net pension liability and schedule of the Hospital's contributions to the Public Employees' Retirement System of Nevada (NVPERS) on pages 35 and 36 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 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.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the Hospital's financial statements as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of budget and actual revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of budget and actual revenues and expenses has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the Hospital'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 for the year ended June 30, 2019. We issued a similar report for the year ended June 30, 2018, dated November 15, 2018, which has not been included with the 2019 financial and compliance report. The purpose of these reports is 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 internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
December 6, 2019

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Management's Discussion and Analysis**  
**June 30, 2019 and 2018**

**Introduction**

Humboldt County Hospital District doing business as Humboldt General Hospital (the Hospital), offers readers of our financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended June 30, 2019, 2018, and 2017. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

**Overview of the Financial Statements**

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

**Required Financial Statements**

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

All changes in revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement measures the success of the Hospital's operations over the year and can be used to determine whether the Hospital has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on the accrual basis, which means the related cash could be received or paid in a subsequent period.

The final required statement is the statements of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as where cash came from, what cash was used for, and what the change in cash balance was during the reporting period.

**Financial Highlights**

- Cash and investments increased by \$3,956,928. This increase is mainly attributed to a decrease in spending on capital projects during the current year.
- Net capital assets decreased \$6,057,767 in 2019. This decrease is attributed to depreciation on existing assets and no major capital purchases (additions) to offset the decrease.
- The Hospital's net position increased by \$2,023,629. This increase is attributed to an increase in non-operating revenues.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2019 and 2018**

**Net Position**

A summary of the Hospital's statements of net position at June 30, 2019, 2018, and 2017, presented below:

**Condensed Statements of Net Position:**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<i>Assets</i>			
Current assets	\$ 44,153,064	\$ 37,896,123	\$ 28,083,675
Capital assets, net	60,163,808	66,221,575	69,233,512
<b>Total assets</b>	<b>104,316,872</b>	104,117,698	97,317,187
<i>Deferred outflows of resources, pension plan</i>	<b>5,625,947</b>	5,170,460	5,070,455
<b>Total assets and deferred outflows of resources</b>	<b>\$ 109,942,819</b>	\$ 109,288,158	\$ 102,387,642
<i>Liabilities</i>			
Current liabilities	\$ 4,573,674	\$ 5,711,873	\$ 4,850,009
Net pension liability	28,326,281	27,377,824	26,093,478
<b>Total liabilities</b>	<b>32,899,955</b>	33,089,697	30,943,487
<i>Deferred inflows of resources</i>	<b>1,449,686</b>	2,628,912	3,669,432
<b>Total liabilities and deferred inflows of resources</b>	<b>34,349,641</b>	35,718,609	34,612,919
<i>Net position</i>			
Net investment in capital assets	60,163,808	66,221,575	68,286,849
Unrestricted	15,429,370	7,347,974	(512,126)
<b>Total net position</b>	<b>75,593,178</b>	73,569,549	67,774,723
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 109,942,819</b>	\$ 109,288,158	\$ 102,387,642

Assets increased by \$199,174 to \$104,316,872 at June 30, 2019, which was primarily comprised of current cash and investments of \$29,040,598, net accounts receivable of \$10,676,791, and net capital assets of \$60,163,808. Current liabilities decreased by \$1,138,199 to \$4,573,674 at June 30, 2019, mainly due to changes in the estimated third-party settlements payable. In fiscal year 2018, total assets increased by \$6,800,511 and total liabilities increased by \$2,146,210.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2019 and 2018**

**Revenues, Expenses, and Changes in Net Position**

The following table presents a summary of the statements of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2019, 2018, and 2017.

**Condensed Statements of Revenue, Expenses, and Changes in Net Position:**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<i>Operating revenues</i>			
Net patient service revenue	\$ 45,312,183	\$ 47,849,984	\$ 37,976,443
Other operating revenue	911,658	911,619	1,097,355
<b>Total operating revenue</b>	<b>46,223,841</b>	<b>48,761,603</b>	<b>39,073,798</b>
<i>Operating expenses</i>			
Salaries and benefits	22,802,904	21,353,438	21,657,105
Supplies	5,754,712	5,675,412	6,312,513
Depreciation	6,770,723	6,962,813	6,175,012
Other operating expenses	15,947,774	14,558,352	14,142,131
<b>Total operating expenses</b>	<b>51,276,113</b>	<b>48,550,015</b>	<b>48,286,761</b>
<b>Operating income (loss)</b>	<b>(5,052,272)</b>	<b>211,588</b>	<b>(9,212,963)</b>
<i>Nonoperating revenues (expenses)</i>			
Tax revenue	6,994,206	5,534,488	5,831,593
Donations revenue	78,063	37,513	13,757
Donations expense	(345,333)	(5,000)	-
Interest income	348,965	35,645	39,851
Loss on disposal of assets	-	(19,408)	(5,015)
<b>Total nonoperating revenues, net</b>	<b>7,075,901</b>	<b>5,583,238</b>	<b>5,880,186</b>
<b>Change in net position</b>	<b>2,023,629</b>	<b>5,794,826</b>	<b>(3,332,777)</b>
<b>Net position, beginning of year</b>	<b>73,569,549</b>	<b>67,774,723</b>	<b>71,107,500</b>
<b>Net position, end of year</b>	<b>\$ 75,593,178</b>	<b>\$ 73,569,549</b>	<b>\$ 67,774,723</b>

**Revenue:** The Hospital recorded \$45,312,183 of net patient and resident service revenue for the fiscal year ended June 30, 2019, compared to \$47,849,984 for fiscal year 2018. The decrease in net patient and resident service revenue of \$2,537,801 over fiscal year 2018 is mainly due to an increase in contractual adjustments.

**Other Revenue:** Other revenue of \$911,658 for the fiscal year ended June 30, 2019, consisted primarily of grant revenue as well as rental income, miscellaneous ambulance income and cafeteria sales.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2019 and 2018**

**Expenses:** The Hospital's expenses for the fiscal year ended June 30, 2019 totaled \$51,276,113, a 5.6 percent increase over fiscal year 2018 expenses of \$48,550,015.

**Salaries, Wages, and Benefits:** Salaries and wages accounted for 33 percent of total expenses, and fringe benefits accounted for another 11 percent of total expenses during fiscal year 2019, compared to salaries and wages accounting for 34 percent of total expenses, and fringe benefits accounting for another 10 percent of total expenses during fiscal year 2018. The total of these costs in fiscal year 2019 was \$22,802,904, an increase of 6.8 percent over fiscal year 2018 expense balance of \$21,353,438.

**Comparison of Budgeted Revenue to Actual Revenue**

Net patient and resident service revenue was lower than budgeted revenue by \$619,326 or 1.4 percent for the fiscal year ended June 30, 2019.

Total expenses were under budget by \$1,296,917 or 2.5 percent for the fiscal year ended June 30, 2019.

Overall, operating income (loss) for the fiscal year ended June 30, 2019 was (\$5,052,272). This was lower than the budgeted amount of (\$5,767,365).

**The Hospital's Cash Flows**

Changes in the Hospital's cash flows are consistent with changes in operating revenues and expenses as well as nonoperating revenues including capital purchases.

**Capital Assets Administration**

At the end of 2019, the Hospital had \$60.2 million invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. During fiscal year 2019, the Hospital started a pharmacy remodel that is expected to cost approximately \$2.8 million and be completed during fiscal year 2020. The Hospital also acquired new equipment costing \$512,496 to replace outdated items.

**Economic Factors and Next Year's Budget Expectations**

For 2019, the Hospital derived 21 percent of its revenue from the Medicare program. Medicare reimbursement policies are continually changing in an attempt to better manage federal spending. As a result, the Hospital is vulnerable to any significant changes that Congress may pass relating to Medicare reimbursement for health care services.

Currently, the Hospital receives cost reimbursement for most services provided to Medicare beneficiaries under the Critical Access Hospital (CAH) designation. Should this program change or be eliminated, the financial performance of the Hospital could substantially decline.

Labor costs and fringe benefits continue to increase at a faster rate than inflation. This situation places additional financial risk on the Hospital if it is not successful in balancing its personnel within its service lines.

**Contacting Humboldt General Hospital's Finance Department**

The financial report is designed to provide our citizens, patients, investors, and creditors with a general overview of the Hospital's finances. If you have questions about this report or need any additional information contact: Humboldt General Hospital, Administrative Services, Attn: Chief Financial Officer, at 118 East Haskell Street, Winnemucca, Nevada 89445, telephone (775) 623-5222.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2019</b>	<b>2018</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 18,727,924	\$ 15,077,656
Investments	10,312,674	10,006,014
Receivables:		
Patient and resident accounts	9,733,713	9,190,660
Taxes	261,039	245,986
Other	682,039	257,494
Third-party payor settlements	1,257,000	1,170,000
Inventories	1,734,551	1,666,344
Prepaid expenses	1,444,124	281,969
Total current assets	44,153,064	37,896,123
<i>Noncurrent assets</i>		
Capital assets, net	60,163,808	66,221,575
Total assets	104,316,872	104,117,698
<i>Deferred outflows of resources, pension plan</i>	5,625,947	5,170,460
<b>Total assets and deferred outflows of resources</b>	<b>\$ 109,942,819</b>	<b>\$ 109,288,158</b>

*See accompanying notes to basic financial statements.*

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Statements of Net Position (Continued)**  
**June 30, 2019 and 2018**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2019</b>	<b>2018</b>
<i>Current liabilities</i>		
Accounts payable	\$ 2,135,669	\$ 2,077,778
Accrued payroll and related liabilities	1,835,005	1,897,095
Third-party payor settlements	603,000	1,737,000
Total current liabilities	4,573,674	5,711,873
<i>Noncurrent liabilities</i>		
Net pension liability	28,326,281	27,377,824
Total liabilities	32,899,955	33,089,697
<i>Deferred inflows of resources</i>		
Tax revenue	-	832,373
Pension plan	1,449,686	1,796,539
Total deferred inflows of resources	1,449,686	2,628,912
Total liabilities and deferred inflows of resources	34,349,641	35,718,609
<i>Net position</i>		
Net investment in capital assets	60,163,808	66,221,575
Unrestricted	15,429,370	7,347,974
Total net position	75,593,178	73,569,549
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 109,942,819</b>	<b>\$ 109,288,158</b>

*See accompanying notes to basic financial statements.*



**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<i>Operating revenues</i>		
Net patient service revenue	\$ 45,312,183	\$ 47,849,984
Grants	410,641	273,586
Other	501,017	638,033
<b>Total operating revenues</b>	<b>46,223,841</b>	<b>48,761,603</b>
<i>Operating expenses</i>		
Salaries and wages	16,927,955	16,507,618
Employee benefits	5,874,949	4,845,820
Professional fees and purchased services	11,431,355	9,947,583
Supplies	5,754,712	5,675,412
Depreciation	6,770,723	6,962,813
Equipment leases and rentals	311,119	319,060
Utilities	717,320	722,881
Insurance	471,478	624,742
Repairs and maintenance	1,805,636	1,891,153
Travel and education	512,678	412,082
Other	698,188	640,851
<b>Total operating expenses</b>	<b>51,276,113</b>	<b>48,550,015</b>
<i>Operating income (loss)</i>	<b>(5,052,272)</b>	<b>211,588</b>
<i>Nonoperating revenues (expenses)</i>		
Tax revenue	6,994,206	5,534,488
Donations revenue	78,063	37,513
Donations expense	(345,333)	(5,000)
Interest income	348,965	35,645
Loss on disposal of assets	-	(19,408)
<b>Total nonoperating revenues, net</b>	<b>7,075,901</b>	<b>5,583,238</b>
Change in net position	2,023,629	5,794,826
Net position, beginning of year	73,569,549	67,774,723
<b>Net position, end of year</b>	<b>\$ 75,593,178</b>	<b>\$ 73,569,549</b>

See accompanying notes to basic financial statements.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 43,548,130	\$ 48,031,178
Receipts from grants	202,904	273,586
Other receipts	284,209	610,430
Payments to suppliers	(22,874,957)	(20,311,791)
Payments to or on behalf of employees	(22,718,877)	(22,082,973)
Net cash provided by (used in) operating activities	(1,558,591)	6,520,430
<i>Cash flows from noncapital financing activities</i>		
Tax support	6,146,780	6,319,480
Donations from others	78,063	37,513
Donations to others	(345,333)	(5,000)
Net cash provided by noncapital financing activities	5,879,510	6,351,993
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(712,956)	(4,916,947)
<i>Cash flows from investing activities</i>		
Purchase of investments	-	(9,994,076)
Interest income	42,305	23,707
Net cash provided by (used in) investing activities	42,305	(9,970,369)
<i>Net increase (decrease) in cash and cash equivalents</i>	<b>3,650,268</b>	(2,014,893)
<i>Cash and cash equivalents, beginning of year</i>	<b>15,077,656</b>	17,092,549
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,727,924</b>	<b>\$ 15,077,656</b>

*See accompanying notes to basic financial statements.*

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i></b>		
Operating income (loss)	\$ (5,052,272)	\$ 211,588
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</i>		
Depreciation	<b>6,770,723</b>	6,962,813
Provision for bad debts	<b>6,489,660</b>	4,205,348
(Increase) decrease in:		
Patient and resident accounts receivable	<b>(7,032,713)</b>	(6,171,154)
Other receivables	<b>(424,545)</b>	(27,603)
Third-party payor settlements	<b>(87,000)</b>	410,000
Inventories	<b>(68,207)</b>	(197,062)
Prepaid expenses and other current assets	<b>(1,162,155)</b>	6,525
Deferred outflows of resources	<b>(455,487)</b>	(100,005)
Increase (decrease) in:		
Accounts payable	<b>57,891</b>	112,510
Accrued payroll and related liabilities	<b>(62,090)</b>	(40,983)
Third-party payor settlements	<b>(1,134,000)</b>	1,737,000
Net pension liability	<b>948,457</b>	1,284,346
Deferred inflows of resources	<b>(346,853)</b>	(1,872,893)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,558,591)</b>	<b>\$ 6,520,430</b>

*See accompanying notes to basic financial statements.*

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Humboldt County Hospital District doing business as Humboldt General Hospital (the Hospital) is a separate district of Humboldt County, Nevada, created July 1, 1985, by the Humboldt County Commissioners under Nevada Revised Statutes (NRS) 450.550 through 450.800. The Hospital provides inpatient, outpatient, and ambulatory care services as well as an extended care facility primarily to residents of Humboldt County and has the authority to levy taxes within the boundaries of Humboldt County.

The Hospital's board of trustees (the Board) consists of five elected trustees and one appointed trustee. The appointed trustee shall be appointed by and from the Board of County Commissioners of Humboldt County. The term of office of each trustee is four years. The Board has oversight responsibility of the Hospital including designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The Hospital has no significant component units.

**b. Summary of Significant Accounting Policies**

*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, liabilities, deferred inflows of resources, deferred outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those estimates.

*Enterprise fund accounting* – The Hospital's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Budgets and budgetary accounting* – The Hospital adheres to the Local Government Budget and Finance Act incorporated within state statutes, which includes the following major procedures to establish the budgetary data which is reflected in these financial statements:

- On or before April 15, the Hospital files a tentative budget with the Nevada Department of Taxation.
- Public budget hearings on the tentative budget are held in May.
- Prior to June 1, at a public hearing, the Hospital indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the board members of the Hospital. The final budget must then be forwarded to the Department of Taxation.
- Formal budgetary integration in the financial records of the fund is employed to enhance management control during the year.
- The budget for the fund is adopted on a basis consistent with GAAP. Budget appropriations lapse at fiscal year end.
- Budget amounts may be transferred if amounts do not exceed the original budget. Such transfers are to be approved by the budget officer and/or board, depending on established criteria. Budget augmentations in excess of original budgetary amounts may only be made with prior approval of the board. Additionally, a scheduled and noticed public hearing must be held.

For enterprise funds, the sum of operating and nonoperating expenses may exceed total appropriations, unless it creates a deficit equity balance in the fund and the budget was not adjusted in accordance with state statute. A schedule of budget comparisons is included as supplementary information to the financial statements.

*Cash and cash equivalents* – The Hospital considers short-term, highly liquid investments that are both readily convertible to cash and have an original maturity date of three months or less to be cash and cash equivalents.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Taxes receivable* – Consolidated taxes, ad valorem tax, and net proceeds of mine taxes due to the Hospital are collected by the County and then remitted to the Hospital.

*Inventories* – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

*Prepaid expenses* – Prepaid expenses are expenses paid during the fiscal year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and prepaid maintenance contracts.

*Pensions* – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (NVPERS), and additions to/deductions from NVPERS's fiduciary net position have been determined on the same basis as they are reported by NVPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Compensated absences* – The Hospital operates a two-part consolidated leave program to compensate employees for a limited amount of earned, but unused vacation, holiday, and sick leave. Paid time off (PTO) benefits accrue time that may be used for vacation, illness or injury, and personal business up to 300 hours. Major illness/injury reserve accrues time to be used for personal illness up to a maximum of 480 hours. Accrued PTO is recorded as expenses in the period it is earned. Major illness/injury reserve is recorded as expenses in the period the leave is taken.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Net position* – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. The Hospital had no restricted net position at either June 30, 2019 or 2018. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

*Restricted resources* – When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital’s policy to use restricted resources before unrestricted resources.

*Operating revenues and expenses* – The Hospital’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities, associated with providing healthcare services — the Hospital’s principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

*Tax revenue* – Tax revenue consists of the following:

*Property taxes* – All real property in the County is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The valuation of the property and its improvements is being assessed at 35 percent of “taxable value” as defined by Nevada Revised Statute. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable in the area in which the property is located. Taxes on real property are a lien on the property and attach on July 1 of the year for which the taxes are levied. In 2005, the Nevada State Legislature passed Assembly Bill 489 which provides for a partial abatement of the ad valorem taxes levied on a qualified property. The abatement will limit the increase of a taxpayer’s bill to 3 percent over the previous year’s tax amount for a primary residence and some rental properties. All other property will have a higher limit that can range up to 8 percent.

Taxes, which are collected by the County, may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January, and March. Penalties are assessed if a taxpayer fails to pay an installment within 10 days of the installment due date. After a two-year waiting period, if the taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest, and costs before sale.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Net proceeds of mine taxes* – Net proceeds of mine taxes are paid on an annual basis. For the year ended June 30, 2019, net proceeds of mine taxes received on actual business from January 1 through December 31, 2018, are reflected in the financial statements. For the year ended June 30, 2018, net proceeds of mine taxes received on actual business from January 1 through December 31, 2017, are reflected in the financial statements.

*Grants and contributions* – From time to time, the Hospital receives grants from the state of Nevada and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Grants that are unrestricted, or that are restricted to a specific operating purpose, are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Contributions, except for capital contributions, are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

*Deferred outflows of resources* – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

*Deferred inflows of resources* – Deferred inflows of resources represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of pension related deferred inflows and deferred tax revenue.

*Reclassifications* – Certain items included in the accompanying 2018 financial statements have been reclassified to conform to the 2019 presentation, with no effect on the previously reported change in net position.

*Upcoming accounting standard pronouncements* – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the Hospital's year ending June 30, 2021, although earlier application is encouraged. The Hospital has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.



**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Upcoming accounting standard pronouncements (continued)* – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The new guidance is effective for the Hospital’s year ending June 30, 2021. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

*Subsequent events* – Subsequent events have been reviewed through December 6, 2019, the date on which the financial statements were available to be issued.

**2. Investments:**

The Board of Trustees adopted NRS 355.170 and NRS 355.171 as the Hospital’s investment policy. The Hospital’s money may only be invested in the following types of securities:

- Bonds and indentures of the United States maturing within 10 years from the date of purchase.
- Certain farm loan bonds.
- Bills and notes of the United States Treasury maturing within 10 years from the date of purchase.
- Obligations of the United States or a corporation sponsored by the government, maturing within 10 years from the date of purchase.
- Negotiable certificates of deposit issued by commercial banks or insured savings and loan associations.
- Certain securities issued by local governments of the state of Nevada.  
Certain bankers’ acceptances.
- Obligations of state and local governments if:
  - (1) the interest is exempt for federal income tax purposes, and
  - (2) the obligation has been rated “A” or higher by a nationally recognized bond credit rating agency.
- Certain short-term paper issued by United States corporations.
- Certain “AAA” rated mutual funds that invest in federal securities.
- Other securities expressly provided by the other statutes, including repurchase agreements.
- State of Nevada Local Government Pooled Investment Fund.
- Notes, bonds and other unconditional obligations for the payment of money issued by corporations if:
  - (1) at time of purchase have a remaining term of maturity of no more than five years
  - (2) rated by a nationally recognized rating service as “A” or its equivalent, or better
- Collateralized mortgage obligations that are rated “AAA” or its equivalent by a nationally recognized rating service.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**2. Investments (continued):**

- Asset-backed securities that are rated “AAA” or its equivalent by a nationally recognized rating service.

The investment in the State of Nevada Local Government Pooled Investment Fund is carried at fair value, which is materially the same as the value of the pool shares.

Investments are carried at fair value.

The Hospital’s investments consisted of:

	Investment Ratings	Fair Value	2019		
			Investment Maturities (in Years)		
			Less Than One	One to Five	Greater Than Five
Money market	Not rated	\$ 232,818	\$ 232,818	\$ -	\$ -
U.S. Treasury bonds	AA+	598,758	598,758	-	-
Agency mortgage backed securities	AA+	3,336,944	953,410	2,383,534	-
Mortgage backed securities	Not rated to AAA	1,302,820	290,776	46,714	965,330
	Not rated to AAA	1,966,025	-	1,966,025	-
Financial corporate bonds	BBB+ to A+	1,476,927	835,081	641,846	-
Industrial corporate bonds	A- to AA	1,398,382	512,065	886,317	-
		\$ 10,312,674	\$ 3,422,908	\$ 5,924,436	\$ 965,330

	Investment Ratings	Fair Value	2018		
			Investment Maturities (in Years)		
			Less Than One	One to Five	Greater Than Five
Money market	Not rated	\$ 220,529	\$ 220,529	\$ -	\$ -
U.S. Treasury bonds	AA+	987,580	-	987,580	-
Agency mortgage backed securities	AA+	3,798,243	682,302	2,487,763	628,178
Mortgage backed securities	Not rated to AA+	1,128,414	172,084	-	956,330
	Not rated to AAA	1,883,860	-	1,883,860	-
Financial corporate bonds	BBB+ to A+	1,141,051	567,852	573,199	-
Industrial corporate bonds	A to AA-	696,331	-	696,331	-
Utility corporate bonds	A-	150,006	-	150,006	-
		\$ 10,006,014	\$ 1,642,767	\$ 6,778,739	\$ 1,584,508

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**2. Investments (continued):**

*Fair value measurements* – The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Hospital has the following recurring fair value measurements as of June 30, 2019:

- U.S. Treasury bonds are valued using quoted market prices (Level 1 inputs).
- Agency Mortgage Backed Securities are valued based on a matrix pricing model (Level 2 inputs).
- Mortgage Backed Securities are valued based on a matrix pricing model (Level 2 inputs).
- Asset Backed Securities are valued based on a matrix pricing model (Level 2 inputs).
- Financial Corporate Bonds are valued based on a matrix pricing model (Level 2 inputs).
- Industrial Corporate Bonds are valued based on a matrix pricing model (Level 2 inputs).

*Interest rate risk* – Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute.

*Credit risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of investments. The Hospital does not have a formal investment policy that specifies minimum acceptable credit ratings.

*Custodial credit risk on deposits* – Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned. Cash deposits at June 30, 2019 and 2018, were fully collateralized by repurchase agreements, certificates of deposit, and Federal Deposit Insurance Corporation insurance as required by Nevada State statutes.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, 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 include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts 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 uncollectible accounts.

The Hospital's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year's. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as a current asset by the Hospital consisted of these amounts:

	<b>2019</b>	<b>2018</b>
Receivables from patients and their insurance carriers	\$ 12,014,632	\$ 12,083,548
Receivable from Medicare	1,903,544	1,839,616
Receivable from Medicaid	1,393,068	808,010
Total patient accounts receivable	<b>15,311,244</b>	14,731,174
Less allowance for uncollectible accounts	<b>(5,577,531)</b>	(5,540,514)
<b>Patient accounts receivable, net</b>	<b>\$ 9,733,713</b>	<b>\$ 9,190,660</b>

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**4. Capital Assets:**

Capital assets are assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Association's published tables and management's estimate by the straight-line method using these asset lives:

Land improvements	5 to 40 years
Building and improvements	5 to 40 years
Equipment	3 to 20 years

Capital asset additions, retirements, transfers, and balances were as follows:

	June 30, 2018	Additions	Retirements	Transfers	June 30, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 171,500	\$ -	\$ -	\$ -	\$ 171,500
Construction in progress	196,019	235,260	(34,800)	(169,168)	227,311
Total capital assets not being depreciated	367,519	235,260	(34,800)	(169,168)	398,811
<i>Capital assets being depreciated</i>					
Land improvements	2,016,483	-	-	-	2,016,483
Building and improvements	78,483,999	40,974	-	43,913	78,568,886
Fixed equipment	3,804,833	-	-	-	3,804,833
Equipment	19,617,834	471,522	(529,713)	125,255	19,684,898
Total capital assets being depreciated	103,923,149	512,496	(529,713)	169,168	104,075,100
<i>Less accumulated depreciation for</i>					
Land improvements	930,599	139,962	-	-	1,070,561
Building and improvements	21,434,417	4,794,949	-	-	26,229,366
Fixed equipment	953,275	273,694	-	-	1,226,969
Equipment	14,750,802	1,562,118	(529,713)	-	15,783,207
Total accumulated depreciation	38,069,093	6,770,723	(529,713)	-	44,310,103
Total capital assets being depreciated, net	65,854,056	(6,258,227)	-	169,168	59,764,997
<b>Capital assets, net</b>	<b>\$ 66,221,575</b>	<b>\$ (6,022,967)</b>	<b>\$ (34,800)</b>	<b>\$ -</b>	<b>\$ 60,163,808</b>

Construction in progress at June 30, 2019, consisted primarily of a pharmacy remodel, with estimated costs to complete of \$2,705,000, and an estimated date of completion of May 2020.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**4. Capital Assets (continued):**

	June 30, 2017	Additions	Retirements	Transfers	June 30, 2018
<i>Capital assets not being depreciated</i>					
Land	\$ 171,500	\$ -	\$ -	\$ -	\$ 171,500
Construction in progress	2,237,947	3,798,989	(450,323)	(5,390,594)	196,019
Total capital assets not being depreciated	2,409,447	3,798,989	(450,323)	(5,390,594)	367,519
<i>Capital assets being depreciated</i>					
Land improvements	2,016,483	-	-	-	2,016,483
Building and improvements	74,181,180	-	(83,069)	4,385,888	78,483,999
Fixed equipment	3,755,024	-	(108,094)	157,903	3,804,833
Equipment	18,175,056	621,617	(25,642)	846,803	19,617,834
Total capital assets being depreciated	98,127,743	621,617	(216,805)	5,390,594	103,923,149
<i>Less accumulated depreciation for</i>					
Land improvements	788,847	141,752	-	-	930,599
Building and improvements	16,700,435	4,807,089	(73,107)	-	21,434,417
Fixed equipment	775,503	276,422	(98,650)	-	953,275
Equipment	13,038,893	1,737,550	(25,641)	-	14,750,802
Total accumulated depreciation	31,303,678	6,962,813	(197,398)	-	38,069,093
<i>Total capital assets being depreciated, net</i>	66,824,065	(6,341,196)	(19,407)	5,390,594	65,854,056
<b>Capital assets, net</b>	<b>\$ 69,233,512</b>	<b>\$ (2,542,207)</b>	<b>\$ (469,730)</b>	<b>\$ -</b>	<b>\$ 66,221,575</b>

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**5. Net Patient Service Revenue:**

The Hospital 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. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Hospital's provisions for bad debts and writeoffs increased from the prior year and charity care writeoffs decreased from the prior year due to difficulty in signing patients up for charity care. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<b>2019</b>	<b>2018</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 13,369,923	\$ 16,265,254
Medicaid	4,716,179	4,064,192
Other third-party payors	23,559,403	24,200,101
Patients	7,579,373	6,790,217
Supplemental payments	3,138,438	2,334,058
	<b>52,363,316</b>	<b>53,653,822</b>
Less:		
Charity care	561,473	1,598,490
Provision for bad debts	6,489,660	4,205,348
<b>Net patient service revenue</b>	<b>\$ 45,312,183</b>	<b>\$ 47,849,984</b>

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

- *Medicare* – The Hospital has been designated a critical access hospital and the clinic a rural health clinic by Medicare and is reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**5. Net Patient Service Revenue (continued):**

- *Medicaid* – Sub-acute (extended care) inpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. For acute and outpatient services, the Hospital is paid at prospectively determined rates.
- The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid 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. Net patient service revenue increased by approximately \$450,000 and \$1,853,000 for the years ended June 30, 2019 and 2018, respectively, due to differences between original estimates and final settlements or revised estimates.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2019 and 2018, were approximately \$315,000 and \$883,000, respectively. The Hospital did not receive any gifts or grants to subsidize charity services during 2019 and 2018.



**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**6. Tax Revenue:**

The County collects consolidated tax, ad valorem tax, and net proceeds of mine tax and distributes those amounts to the Hospital. Taxes earned by the Hospital for the years ended June 30, 2019 and 2018, are as follows:

	<b>2019</b>	<b>2018</b>
Ad valorem taxes	\$ 3,546,446	\$ 3,759,779
Consolidated taxes	1,258,830	814,007
Net proceeds mine tax	2,188,930	960,702
<b>Total tax revenue</b>	<b>\$ 6,994,206</b>	<b>\$ 5,534,488</b>

For the year ended June 30, 2018, the Hospital recognized deferred net proceeds of mine tax of \$832,373 due to the net proceeds of mine tax being based on a calendar year and the Hospital's fiscal year of June 30.

No deferred net proceeds of mine tax was recognized for the year ended June 30, 2019. The calculation of net proceeds of mine tax was changed to be based on actual performance of the mines during calendar year 2019. Therefore, the hospital will not receive net proceeds of mine tax for calendar year 2019 until fiscal year 2020.

**7. Contingencies:**

**Risk management** – The Hospital is exposed to various risks of loss related to medical malpractice; torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters, and employee health, dental, and accident benefits.

The Hospital has joined together with other rural hospitals throughout the state of Nevada to create the Liability Cooperative of Nevada (LICON). LICON is a public entity risk pool currently operating as a common risk management and insurance program for 11 member rural hospitals. The Hospital obtains independent coverage through Hudson Specialty Insurance Company (Hudson) for events in excess of the coverage provided by LICON.

The Hospital also pays an annual premium and specific deductibles, as necessary, to LICON for general insurance coverage. LICON provides comprehensive hospital liability coverage up to \$50,000 per claim. Under a separate policy, Markel Primary provides directors, officers, and trustees liability coverage up to \$1,250,000 per hospital with an annual aggregate of \$5,000,000.

The Hospital also pays an annual premium and specific deductibles, as necessary, to Hudson for excess general insurance coverage. Hudson provides comprehensive hospital liability coverage up to \$1,000,000 per occurrence with an aggregate of \$3,000,000. In addition, there is an excess policy that provides excess coverage up to \$4,000,000 per occurrence and \$8,000,000 in the aggregate.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**7. Contingencies (continued):**

The Hospital has also joined together with similar public agencies, effective November 1, 1998, to create a pool under the Nevada Interlocal Cooperative Act. The Public Agency Compensation Trust (PACT) is an intergovernmental self-insured association for workers' compensation insurance.

The Hospital pays premiums based on payroll costs to the PACT. The PACT is considered a self-sustaining pool that will provide coverage for up to \$2,000,000 for each accident or disease.

The Hospital continues to carry commercial insurance for other risks of loss including specific risks of loss not covered by LICON or PACT and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

***Litigation*** – The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the last two fiscal years.

***Industry regulations*** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. 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. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Hospital is found in violation of these laws, the Hospital could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Defined Benefit Pension Plan:**

The Hospital reports a liability, deferred outflows of resources, deferred inflows of resources, and expense as a result of its requirement to contribute to the Public Employees' Retirement System of Nevada (NVPERS).

**Plan description** – The Hospital contributes to the NVPERS, which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Nevada. NVPERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes (NRS) establishes the benefit provisions provided to the participants of NVPERS. These benefit provisions may only be amended through legislation. The Public Employees' Retirement System of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for NVPERS. That report may be obtained by writing to the Public Employees' Retirement System of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

Responsibility for the administration of NVPERS is assigned to the board comprised of seven members all appointed by the Governor of the state of Nevada.

Employee membership data related to the NVPERS was as follows:

	<b>2019</b>	<b>2018</b>
Retirees and beneficiaries currently receiving benefits	67,108	64,130
Terminated employees entitled to but not yet receiving benefits	16,607	16,668
Active plan members	107,506	105,801
	<b>191,221</b>	<b>186,599</b>

**Benefits provided** – Benefits, as required by the NRS, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering NVPERS on or after January 1, 2010, and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5 percent of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this factor is 2.67 percent of average compensation. For members entering NVPERS on or after January 1, 2010, there is a 2.5 percent service time factor, and for regular members entering the NVPERS on or after July 1, 2015, there is a 2.25 percent factor. NVPERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to the named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575–.579.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Defined Benefit Pension Plan (continued):**

***Vesting*** – Regular members entering NVPERS prior to January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering NVPERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 62 with 10 years of service, or at any age with thirty years of service. Regular members who entered NVPERS on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, at age 62 with 10 years of service, at age 55 with thirty years of service, or at any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefit allowances is 75 percent of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90 percent of average compensation. Regular members become fully vested as to benefits upon completion of five years of service.

***Member and employer contributions*** – The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

NVPERS's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

NVPERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund NVPERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuarial funding method used is Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary.

For the fiscal years ended June 30, 2018 and 2017, the statutory Employer/Employee Matching rate was 14.5 percent for regular members. The EPC rate was 28 percent for regular members for the fiscal years ended June 30, 2018 and 2017.

The Hospital's employer contributions were \$2,327,637 and \$2,318,343 for the years ended June 30, 2019 and 2018, respectively.

***Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions*** – At June 30, 2019, the Hospital reported a liability of \$28,326,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions in the NVPERS relative to the total contributions of all participating NVPERS employers. At June 30, 2018, the Hospital's proportion was 0.20771 percent.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Defined Benefit Pension Plan (continued):**

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)* – At June 30, 2018, the Hospital reported a liability of \$27,377,824 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital’s proportion of the net pension liability was based on the Hospital’s share of contributions in the NVPERS relative to the total contributions of all participating NVPERS employers. At June 30, 2017, the Hospital’s proportion was 0.20585 percent.

For the year ended June 30, 2019, the Hospital recognized pension expense of \$2,473,754. At June 30, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 887,383	\$ (1,314,826)
Change in proportionate share of net pension liability	1,197,472	-
Changes of assumptions	1,492,616	-
Net difference between projected and actual earnings on plan investments	-	(134,860)
The Hospital’s contributions subsequent to the measurement date	2,048,476	-
<b>Total</b>	<b>\$ 5,625,947</b>	<b>\$ (1,449,686)</b>

The \$2,048,476 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ending June 30,</b>	
2020	\$ (114,776)
2021	295,024
2022	364,305
2023	(8,469)
2024	924,321
2025	605,246
2026	62,132
<b>Total</b>	<b>\$ 2,127,785</b>

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Defined Benefit Pension Plan (continued):**

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)* – For the year ended June 30, 2018, the Hospital recognized pension expense of \$1,629,791. In addition, at June 30, 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (1,796,539)
Change in proportionate share of net pension liability	1,227,186	-
Changes of assumptions	1,816,258	-
Net difference between projected and actual earnings on plan investments	177,760	-
The Hospital's contributions subsequent to the measurement date	1,949,256	-
<b>Total</b>	<b>\$ 5,170,460</b>	<b>\$ (1,796,539)</b>

The \$1,949,256 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ending June 30, 2019.

*Actuarial assumptions* – The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Payroll Growth	5.00%, including inflation
Investment Rate of Return	7.50%
Productivity pay increase	0.50%
Projected salary increases	4.25% to 9.15%, depending on service including inflation and productivity increases
Consumer Price Index	2.75%

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of the experience review completed in 2017.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Defined Benefit Pension Plan (continued):**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic Equity	42.00%	5.50%
International Equity	18.00%	5.75%
Domestic Fixed Income	30.00%	0.25%
Private Markets	10.00%	6.80%
<b>Total</b>	<b>100.00%</b>	

**Discount rate** – The discount rate to measure the total pension liability was 7.50 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at that rate specified in statute. Based on that assumption, NVPERS’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**8. Defined Benefit Pension Plan (continued):**

*Sensitivity of the Hospital's proportionate share of the net pension liability to changes in the discount rate* – The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	<b>Discount Rate</b>	<b>Hospital's Proportionate Share of Net Pension Liability</b>
1% decrease	6.50%	\$ 43,197,458
Current discount rate	7.50%	\$ 28,326,281
1% increase	8.50%	\$ 15,970,431

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in NVPERS's Comprehensive Annual Financial Report (CAFR), available on the NVPERS website [www.nvpers.org](http://www.nvpers.org).

*Payable to the pension plan* – The Hospital reported a payable for the outstanding amount of contributions to NVPERS required of \$344,566 and \$455,606, as of June 30, 2019 and 2018, respectively.

**9. Concentration of Risk:**

*Patient and resident accounts receivable* – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The majority of these patients and residents are geographically concentrated in and around Humboldt County.

The mix of patient receivables was as follows:

	<b>2019</b>	<b>2018</b>
Medicare	21 %	21 %
Medicaid	20	14
Other third-party payors	24	24
Patients	35	41
	<b>100 %</b>	<b>100 %</b>



**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**9. Concentration of Risk (continued):**

*Revenues* – The Hospital is dependent on County tax allocations to fund operations.

*Physicians* – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on the Hospital's operations.

**10. Commitment:**

The Hospital pledged to donate to Great Basin College two installments of \$333,333 in the fiscal years ending June 30, 2020 and 2021, respectively, towards construction of a health sciences and technology building.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Public Employees' Retirement System of Nevada**  
**Last 10 Years \***

<b>June 30,</b>	<b>Hospital's Portion of the Net Pension Liability</b>	<b>Hospital's Proportionate Share of the Net Pension Liability</b>	<b>Hospital's Covered-employee Payroll</b>	<b>Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.19%	\$ 22,270,270	\$ 15,171,645	146.79%	75.13%
2017	0.20%	\$ 26,093,478	\$ 15,692,385	166.28%	75.13%
2018	0.21%	\$ 27,377,824	\$ 13,932,796	196.50%	74.40%
2019	0.21%	\$ 28,326,281	\$ 15,126,810	187.26%	75.20%

\*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

*See accompanying independent auditors' report.*

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Schedule of the Hospital's Contributions**  
**Public Employees' Retirement System of Nevada**  
**Last 10 Years \***

<b>June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution (Deficiency) Excess</b>	<b>Hospital's Covered- employee Payroll</b>	<b>Contributions as a Percentage of Covered-employee Payroll</b>
2016	\$ 2,124,668	\$ 2,124,668	\$ -	\$ 15,171,645	14.00%
2017	\$ 5,070,455	\$ 5,070,455	\$ -	\$ 15,692,385	32.31%
2018	\$ 1,878,770	\$ 1,949,256	\$ 70,486	\$ 13,932,796	13.99%
2019	\$ 1,951,792	\$ 2,048,476	\$ 96,684	\$ 15,126,810	13.54%

\*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

*See accompanying independent auditors' report.*

**SUPPLEMENTARY INFORMATION**

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Schedule of Budget and Actual Revenues and Expenses**  
**Year Ended June 30, 2019**

	Actual	Original and Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 45,312,183	\$ 45,931,509	\$ (619,326)
Grants	410,641	300,000	110,641
Other revenue	501,017	574,156	(73,139)
Total operating revenues	46,223,841	46,805,665	(581,824)
<i>Operating expenses</i>			
Salaries and wages	16,927,955	16,952,347	24,392
Employee benefits	5,874,949	6,049,000	174,051
Professional fees and purchased services	11,431,355	9,593,194	(1,838,161)
Supplies	5,754,712	6,101,690	346,978
Depreciation	6,770,723	6,985,779	215,056
Equipment leases and rentals	311,119	394,513	83,394
Utilities	717,320	678,915	(38,405)
Insurance	471,478	548,450	76,972
Repairs and maintenance	1,805,636	2,408,866	603,230
Travel and education	512,678	611,552	98,874
Other	698,188	2,248,724	1,550,536
Total operating expenses	51,276,113	52,573,030	1,296,917
<i>Operating loss</i>	(5,052,272)	(5,767,365)	715,093
<i>Nonoperating revenues (expenses)</i>			
Tax revenue	6,994,206	4,642,239	2,351,967
Donations revenue	78,063	-	78,063
Donations expense	(345,333)	-	(345,333)
Interest earnings	348,965	155,900	193,065
Total nonoperating revenues, net	7,075,901	4,798,139	2,277,762
<b>Change in net position</b>	<b>\$ 2,023,629</b>	<b>\$ (969,226)</b>	<b>\$ 2,992,855</b>



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Humboldt County Hospital District  
doing business as Humboldt General Hospital  
Winnemucca, Nevada

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 Humboldt County Hospital District doing business as Humboldt General Hospital (the Hospital) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 6, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal controls over financial reporting (internal controls) 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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of their 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 including whether the funds established by the Hospital, as described in Nevada Revised Statutes (NRS), Chapter 354.624 (5)(a)(1)-(5), complied with the express purposes required by NRS Chapter 354.6241. 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*.

### **Hospital's Response to the Finding**

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
December 6, 2019



**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Schedule of Audit Findings and Responses**  
**Year Ended June 30, 2019**

**2019-001 Auditor-Detected Adjusting Journal Entries**

<i>Condition</i>	During the audit, there were significant adjusting journal entries proposed by the audit team related to contractual adjustments allowance and defined benefit plan payable.
<i>Criteria</i>	<p>[ ] Compliance Finding [X] Significant Deficiency [ ] Material Weakness</p> <p>No material adjusting journal entries should be detected by the auditors during the audit process.</p>
<i>Context</i>	This finding appears to be an <i>isolated</i> problem.
<i>Cause</i>	<p>The Hospital did not sufficiently allow for estimated contractual adjustments from the Hospital's Medicare, Medicaid, and worker's compensation payors.</p> <p>The Hospital accrued the defined benefit plan payable for June 2019 twice: once in accounts payable, and once in accrued payroll.</p>
<i>Effect</i>	Financial reports may be inaccurate and could affect management and board decision making.
<i>Recommendation</i>	<p>The allowance for contractual adjustments should be estimated based on an analysis of third-party payor collections history, actual adjustments, and other known facts and circumstances.</p> <p>We recommend the Hospital perform an analysis of collections history of each of its major payors, adjusting contractual adjustments collections percentages accordingly.</p> <p>We also recommend the Hospital review its liability accounts to ensure liabilities are not recorded twice.</p>
<i>Management's Response</i>	The contractual allowance adjustment is based upon historical information and management's professional judgement to best <i>estimate</i> the writeoff of accounts receivable based upon payor. This is an estimate of the collection of accounts receivable based upon that history and in no way a guarantee whether that number will or will not be recognized. The Hospital does not agree with this portion of the finding. The amount accrued twice was accrued in the liability account as well as accounts payable; however, this was less than 1 percent of total expenses and therefore not deemed material to the financial statements overall. The Hospital agrees with this portion of the finding.

**Humboldt County Hospital District**  
**doing business as Humboldt General Hospital**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2019**

The audit for the year ended June 30, 2018, reported no audit findings, nor were there any unresolved prior year findings from the years ended June 30, 2017, or prior. Therefore, there are no matters to report in this schedule for the year ended June 30, 2019.

**Humboldt County Hospital District  
doing business as  
Humboldt General Hospital**

Financial Indicators

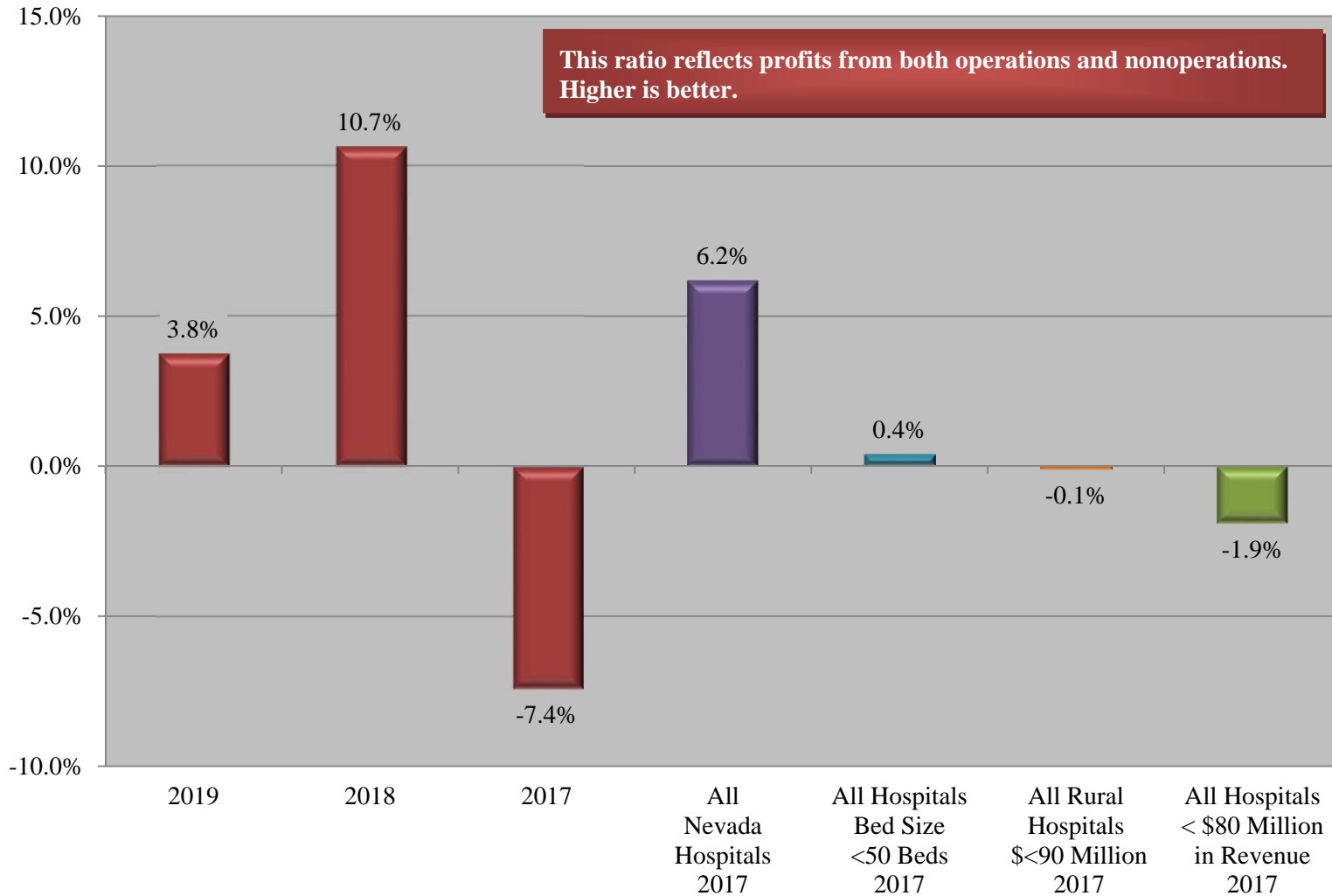
June 30, 2019



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

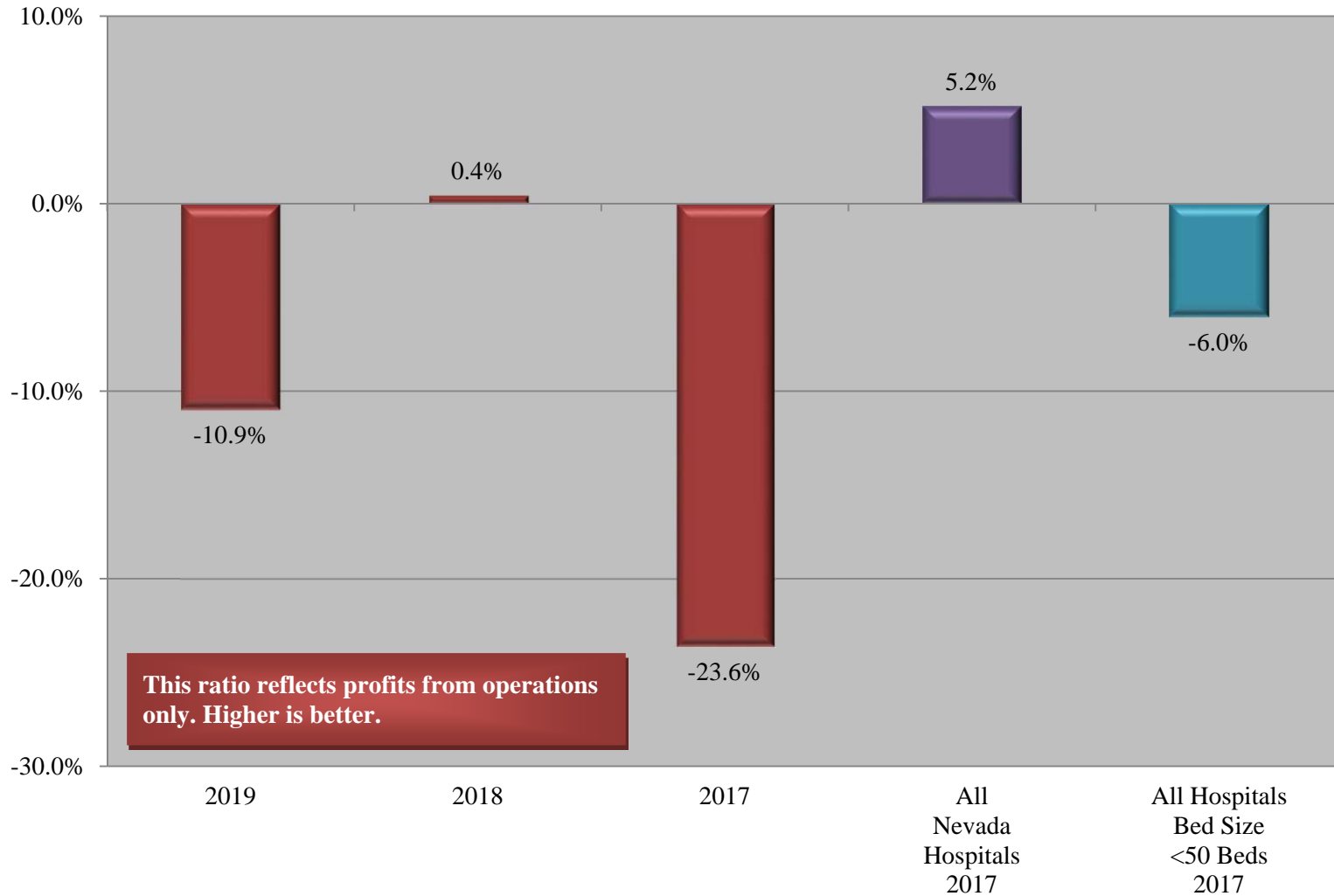
# Total Margin

Change in Net Position  
Total Revenues



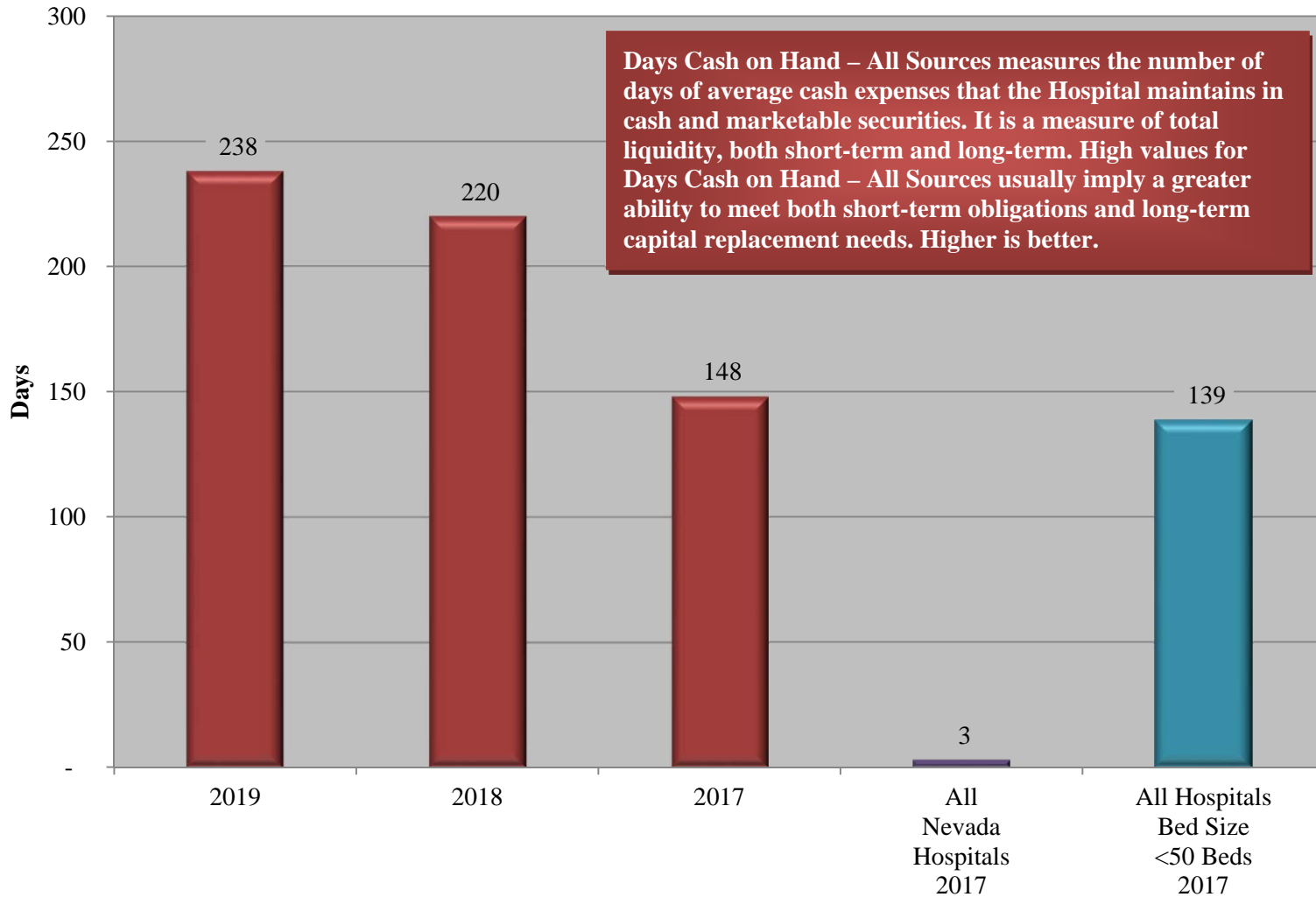
# Operating Margin

$$\frac{\text{Operating Income (Loss)}}{\text{Total Operating Revenues}}$$



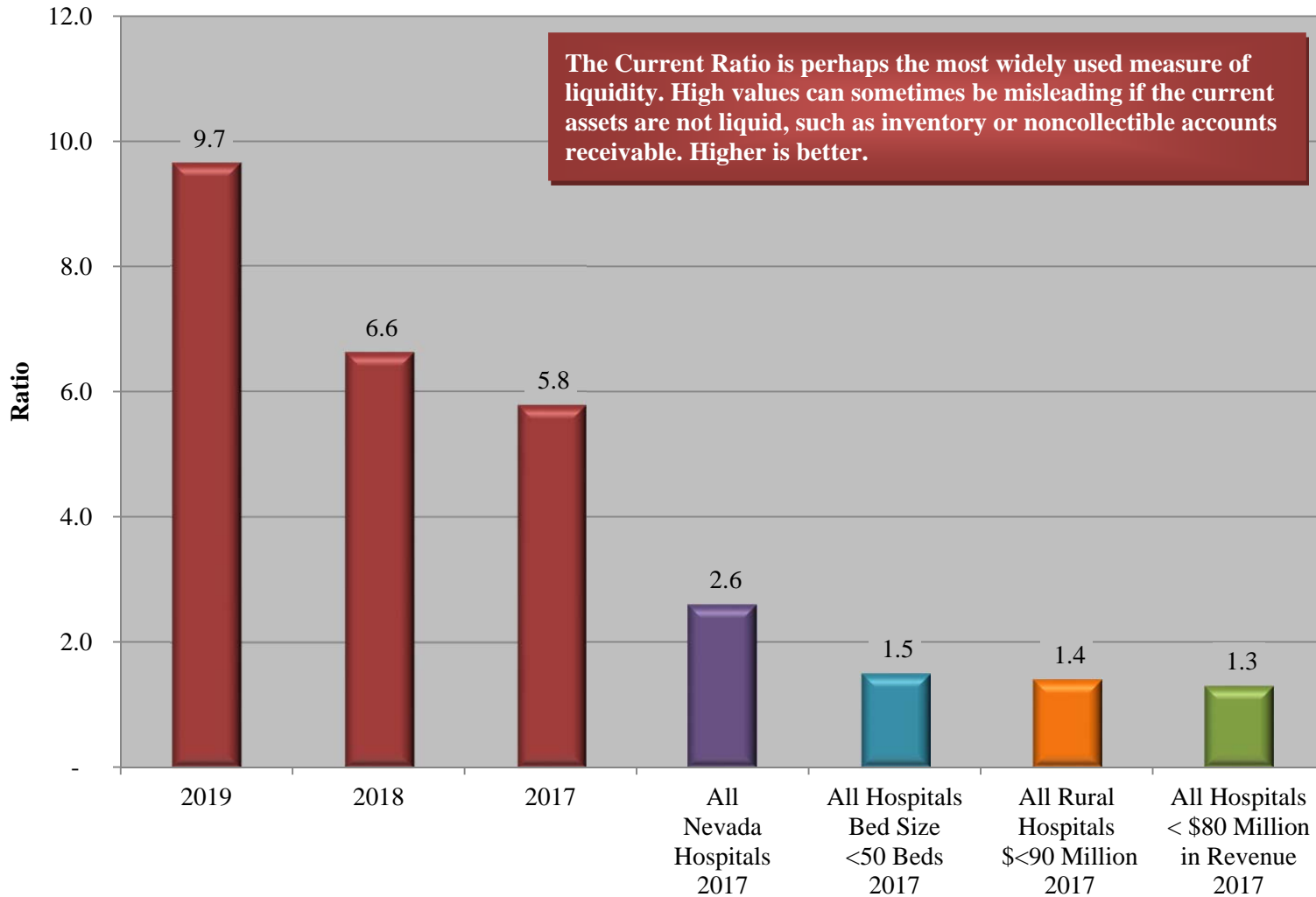
# Days Cash on Hand – All Sources

$$\frac{\text{Cash} + \text{Short-term Investments} + \text{Noncurrent Cash \& Short-term Investments}}{(\text{Total Expenses} - \text{Depreciation}) / 365}$$



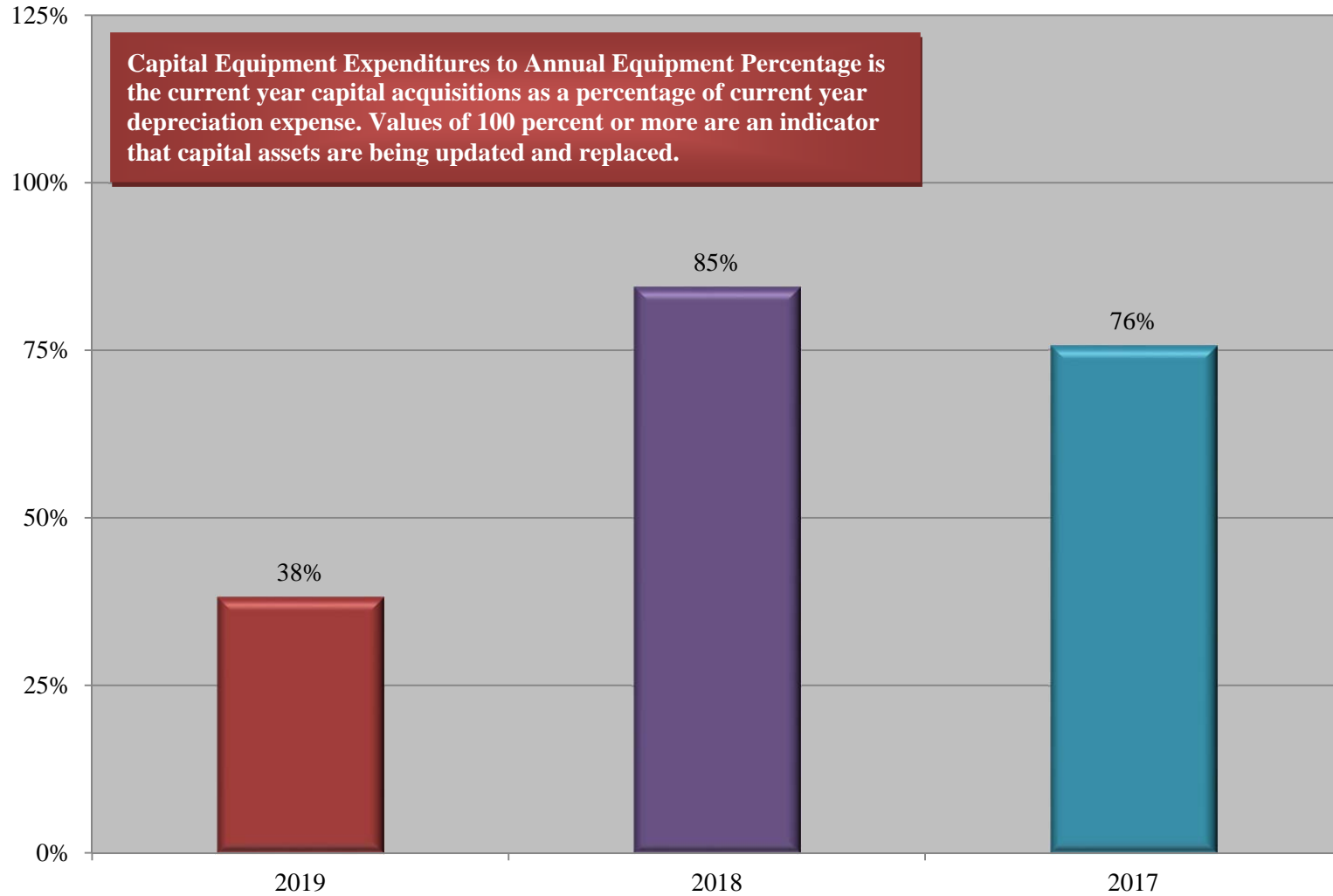
# Current Ratio

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$



# Capital Equipment Expenditures to Annual Equipment Percentage

$$\frac{\text{Capital Equipment Expenditures}}{\text{Equipment Depreciation Expense}}$$

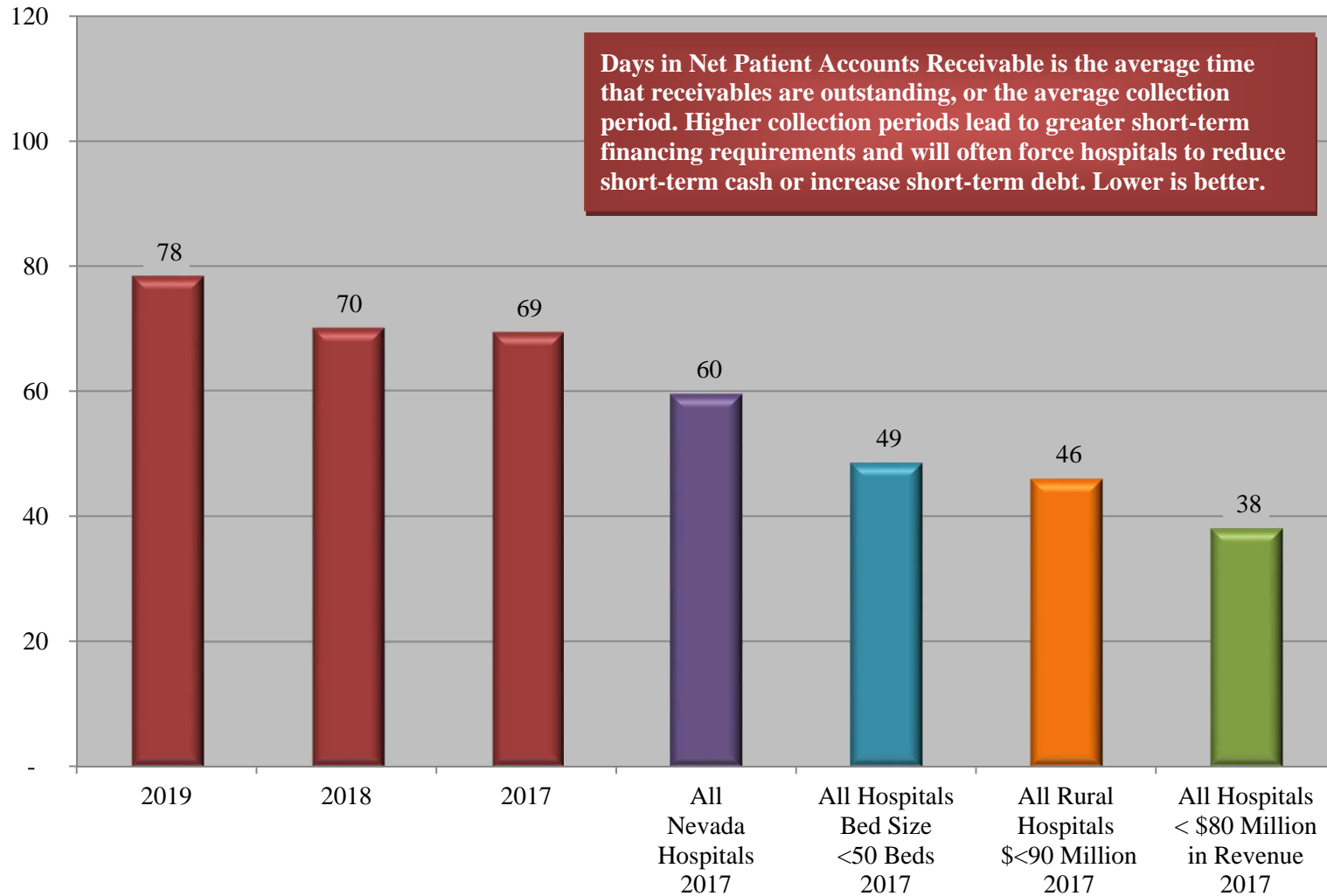




# Days in Net Patient Accounts Receivable

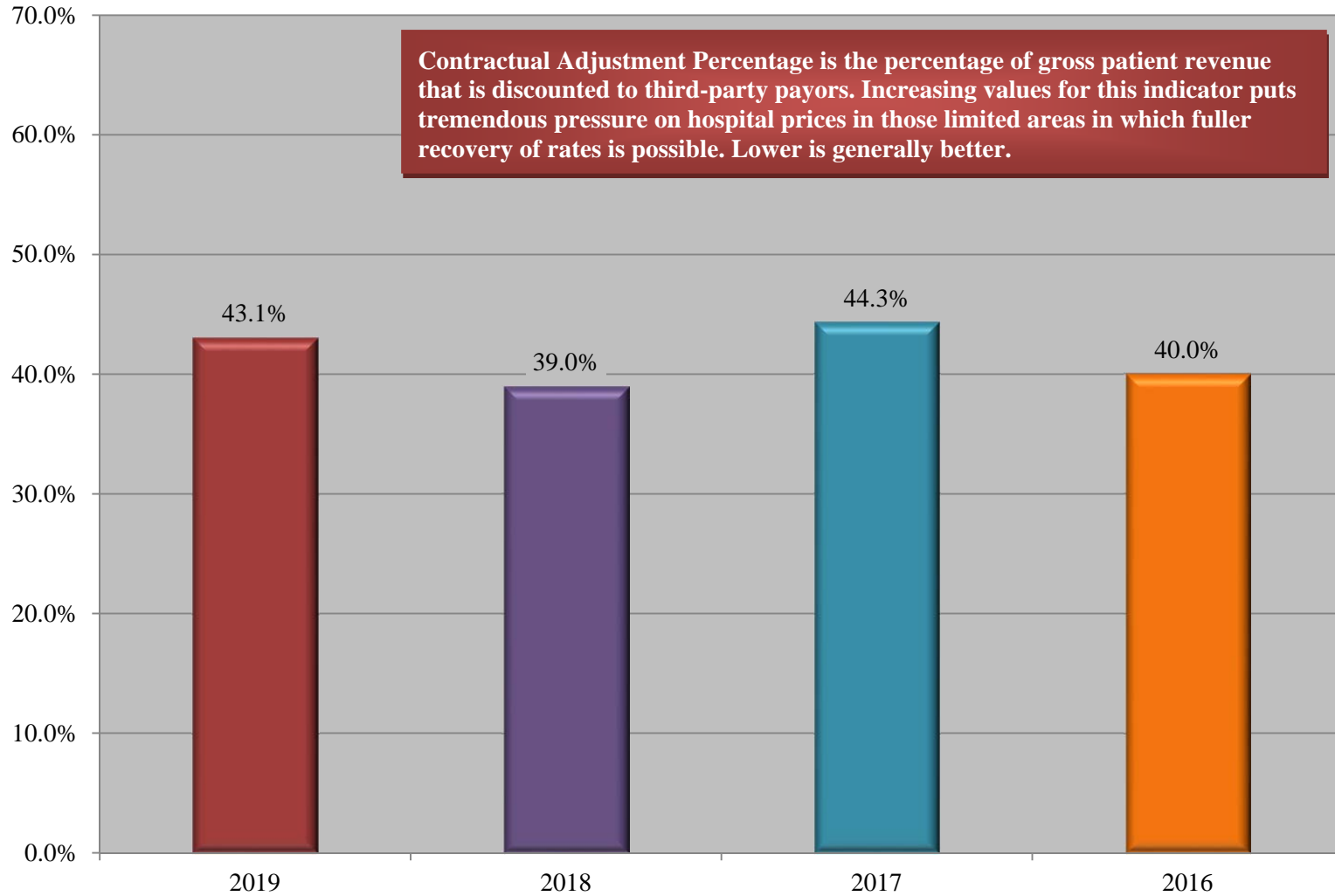
Net Patient Accounts Receivable

Net Patient Service Revenues / 365



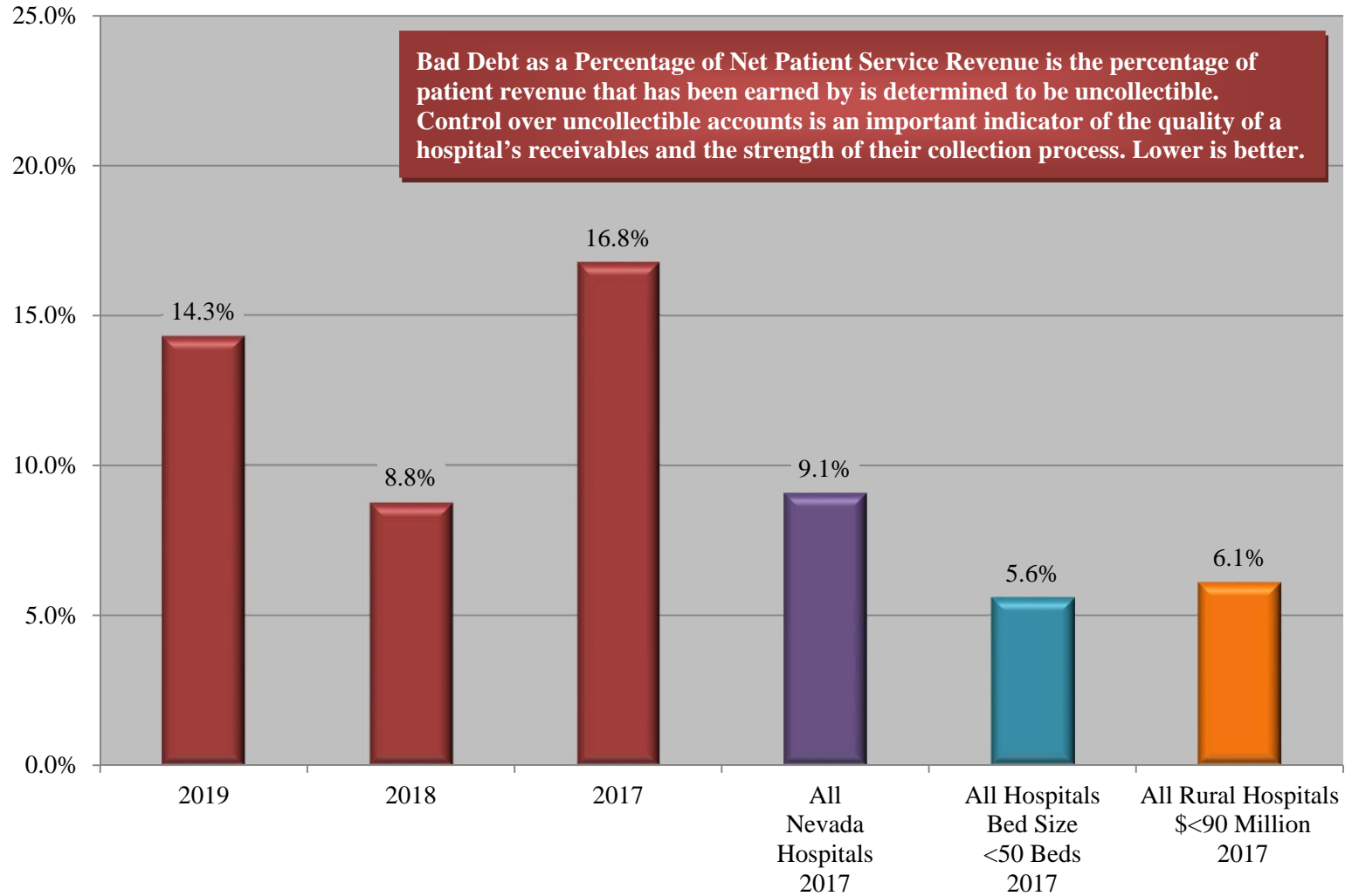
# Contractual Adjustment Percentage

$\frac{\text{Contractual Adjustments}}{\text{Gross Patient Revenues}}$



# Bad Debt as a Percentage of Net Patient Service Revenue

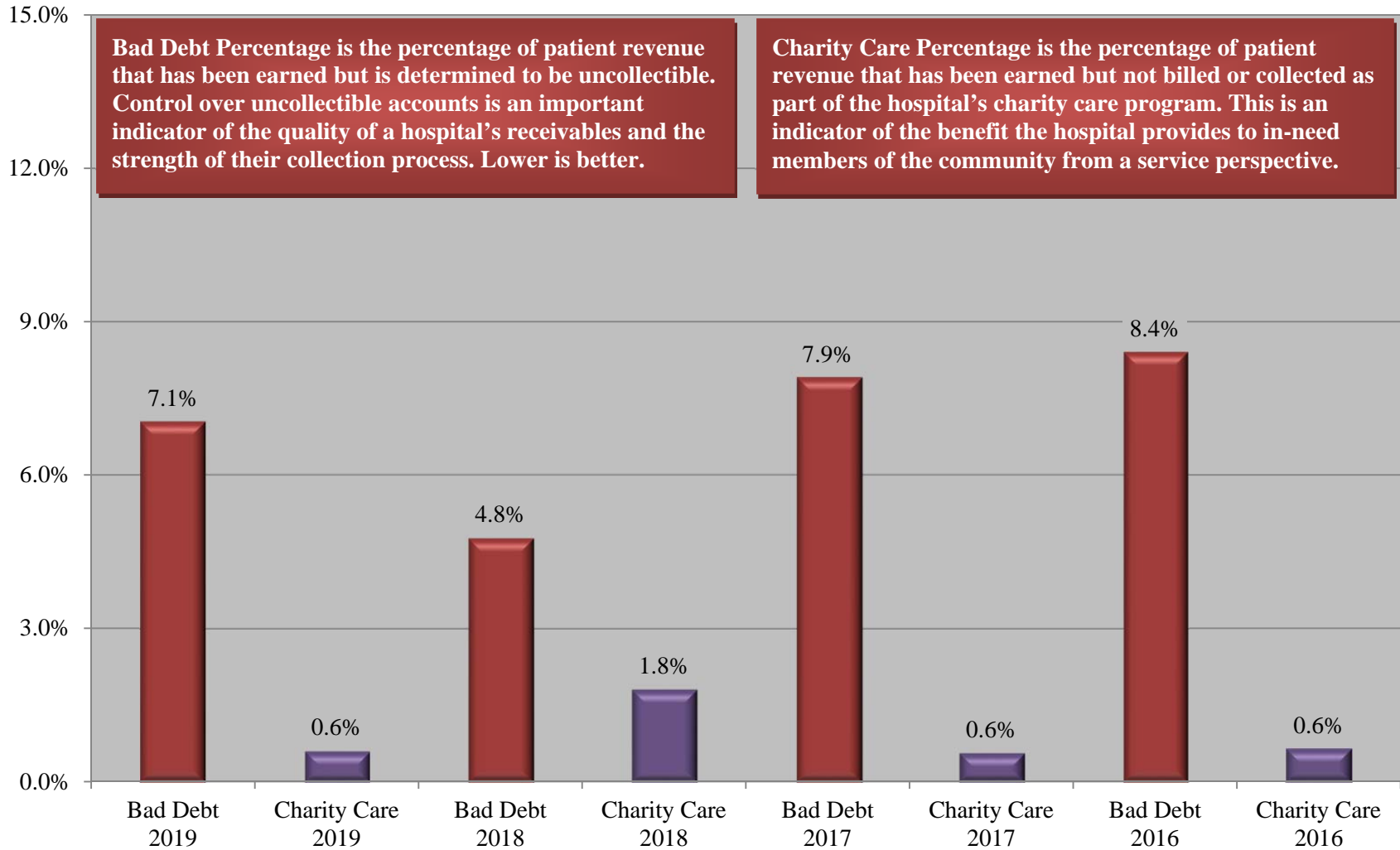
Provision for Bad Debt  
Net Patient Revenues



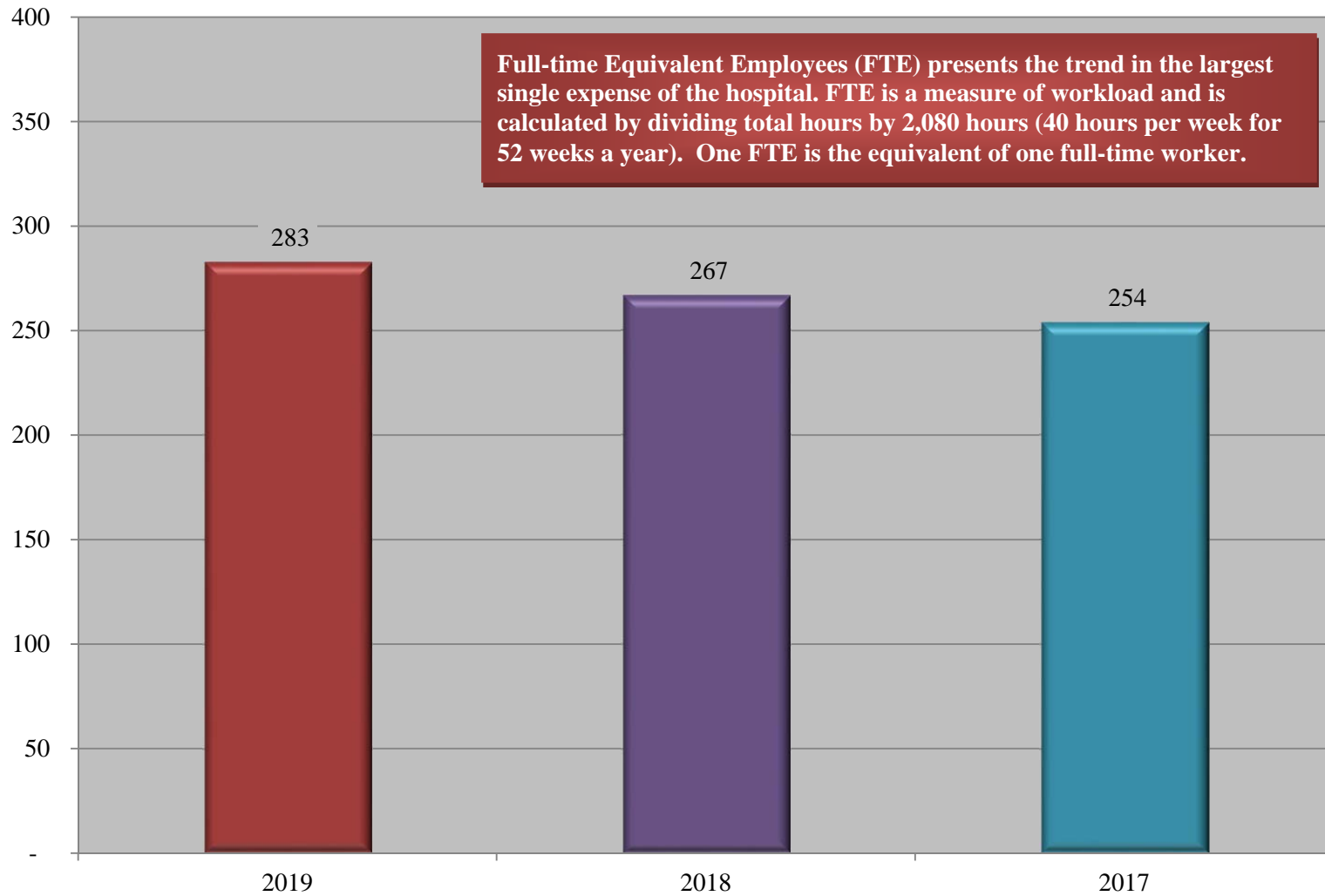
# Bad Debt and Charity Care Percentage

Provision for Bad Debt  
Gross Patient Revenue

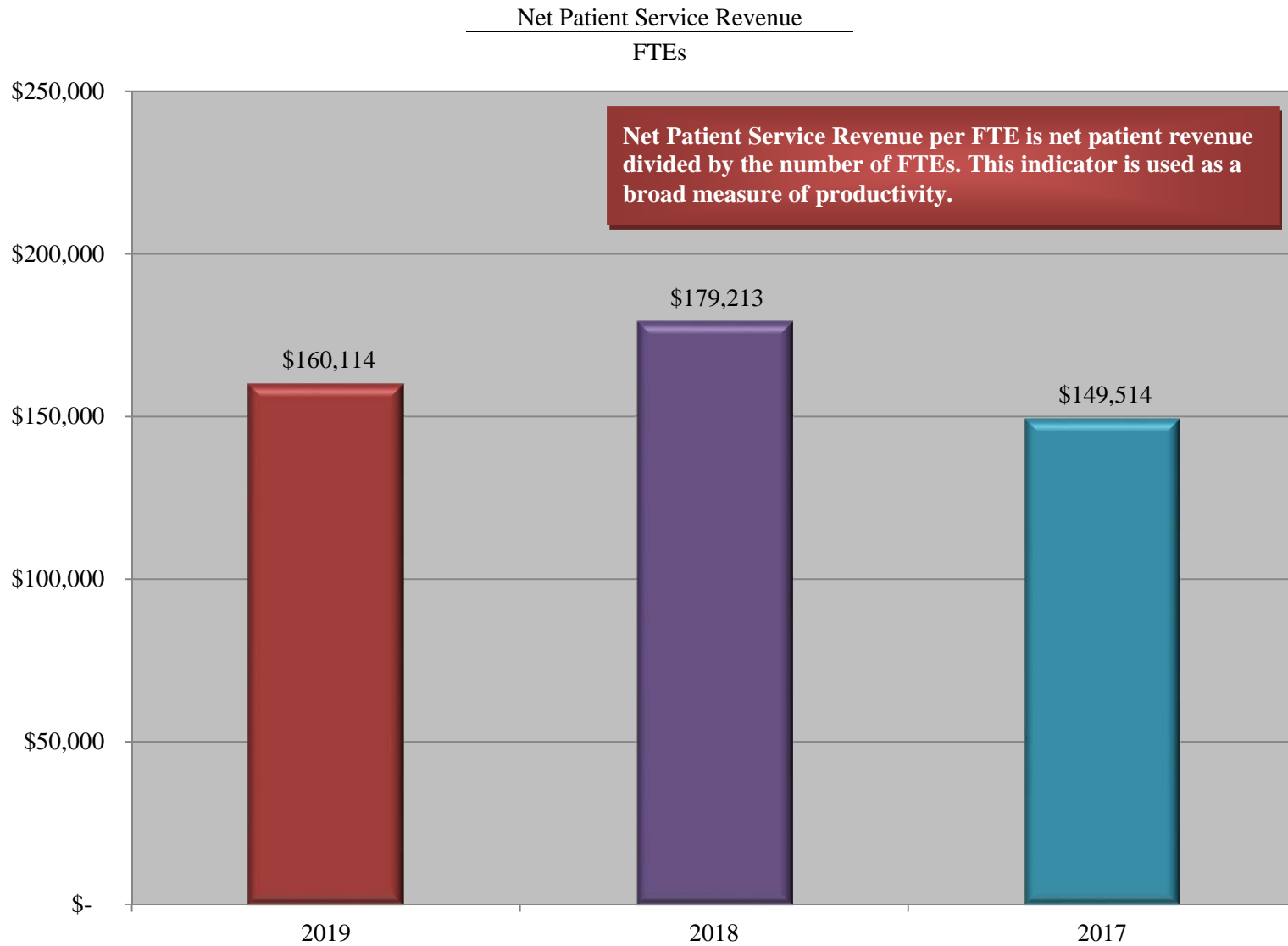
Charity Care  
Gross Patient Revenue



## Full-time Equivalent Employees (FTE)



# Net Patient Service Revenue per FTE



# Salaries and Benefits per FTE

