

Management's Discussion and Analysis and
Basic Financial Statements
June 30, 2025 and 2024

Southern Mono Healthcare District
d/b/a Mammoth Hospital
Mammoth Lakes, California

Southern Mono Healthcare District d/b/a Mammoth Hospital

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Independent Auditor's Report

To the Board of Directors
Southern Mono Healthcare District
d/b/a Mammoth Hospital
Mammoth Lakes, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Southern Mono Healthcare District d/b/a Mammoth Hospital (the District), as of and for the years then ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2025 and 2024, and the respective changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
September 23, 2025

Overview

Southern Mono Healthcare District, d/b/a Mammoth Hospital (the District) is a public health care district and is a political subdivision of the State of California organized under the Local Healthcare District Law as set forth in the Health and Safety Code of the State of California.

This section of the District's annual financial report presents management's discussion and analysis of the financial performance for the years ended June 30, 2025 and 2024. Although the 2023 condensed statement of net position, the condensed statement of revenue, expenses, and changes in net position, and the condensed statement of cash flows are presented in this section, they are not presented in the accompanying audited financial statements and notes to the financial statements. We encourage the reader to consider the information presented here in conjunction with the audited financial statements that follow this section.

Required Financial Statements

Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position and Statements of Cash Flows

The statements of net position and the statements of revenues, expenses, and changes in net position report information about the District's resources and its operations in a way that helps determine if the District, as a whole, is better off or worse off as a result of the year's activities. These two statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounts. All the current year's revenues and expenses are considered, regardless of when cash is received or paid. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, which provides answers to such questions as what the sources and uses of cash were, and what was the change in the cash balance during the reporting year.

These statements report the District's net position and changes in them. You can think of the District's net position (the difference between assets, liabilities, and deferred inflows of resources) as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base, and measures of quality of service it provides to the community, as well as the local economic factors, in order to assess the overall financial health of the District.

Statements of Net Position

The District's net position is the difference between its assets, liabilities, and deferred inflows of resources reported in the statements of net position. The District's net position changed by \$24.8 million for 2025 as compared to \$22.6 million for 2024, as presented in Table 1.

Southern Mono Healthcare District d/b/a Mammoth Hospital
Management's Discussion and Analysis

Table 1: Statements of Net Position for the years ended June 30:

	2025	2024	2023	Change from 2024	
				Amount	Percentage
Current Assets	\$ 128,932,705	\$ 114,944,420	\$ 84,133,131	\$ 13,988,285	12.2%
Long-Term Investments	42,817,378	47,504,600	59,033,370	(4,687,222)	-9.9%
Capital Assets - Net	74,430,527	51,384,036	48,879,144	23,046,491	44.9%
Noncurrent Restricted and Other Assets	18,859,787	17,702,956	17,404,635	1,156,831	6.5%
Total assets	\$ 265,040,397	\$ 231,536,012	\$ 209,450,280	\$ 33,504,385	14.5%
Current Liabilities	\$ 20,801,944	\$ 13,723,634	\$ 11,852,012	\$ 7,078,310	51.6%
Long-Term Liabilities	25,281,408	23,613,960	25,924,864	1,667,448	7.1%
Total liabilities	46,083,352	37,337,594	37,776,876	8,745,758	23.4%
Deferred Inflows of Resources	169,528	196,299	223,070	(26,771)	-13.6%
Net Investment in Capital Assets Restricted	43,038,450	23,792,290	19,470,315	19,246,160	80.9%
Restricted for specific operating activities	580	580	16,466	-	0.0%
Restricted for debt service	18,983,493	17,174,085	16,097,564	1,809,408	10.5%
Unrestricted	156,764,994	153,035,164	135,865,989	3,729,830	2.4%
Total net position	218,787,517	194,002,119	171,450,334	24,785,398	12.8%
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 265,040,397	\$ 231,536,012	\$ 209,450,280	\$ 33,504,385	14.5%

2025: Analysis of the Statements of Net Position from 2024 to 2025

- Current assets increased \$14.0 million or 12.2% during the year ended June 30, 2025, primarily due to a \$35.3 million increase in cash and cash equivalents due to maturities of long-term investments, offset by \$23.3 million decrease in short term investments.
- Long-term investments decreased by \$4.7 million or 9.9% mainly due to several calls of investments and maturities replaced by cash needs for capital projects.
- Capital Assets - net increased by \$23.0 million or 44.9% due to construction and purchase of capital assets including South Parking Lot construction, design and construction fees for the North Wing Project, Laboratory remodel, Family Medicine clinic remodel, Imaging remodel, and several equipment purchases offset by accumulated depreciation and amortization.
- Noncurrent restricted and other assets increased \$1.2 million due to the cash held by Mono County for the payment of General Obligation Bonds and Capital Appreciation Bonds.
- Current liabilities increased \$7.1 million or 51.6% mainly due to construction payables of \$5.8 million, related to projects noted above.
- Long-term liabilities increased by \$1.7 million or 7.1% mainly due to the \$3.5 million receipt of Employee Retention Credit offset by subscription IT liabilities decrease of \$1.2 million.
- Net position increased \$24.8 million or 12.8% mainly due to the income from operations of \$11.6 million, plus nonoperating revenues of \$9.9 million, \$2.2 million tax revenues for debt principal payments, and donation income of \$1.1 million.

2024: Analysis of the Statements of Net Position from 2023 to 2024

- Current assets increased \$30.8 million or 36.6% during the year ended June 30, 2024, primarily due to the increase in short term investments of \$26.6 million and \$5.5 million increase in accounts receivable offset by \$2 million decrease in cash and cash equivalents.
- Long-term investments decreased by \$11.5 million or 19.5% mainly due to several recalls of investments and maturities replaced by short term investments.
- Capital Assets - net increased by \$2.5 million or 5.1% due to purchases of capital assets of \$7.4 million, (including South Parking Lot construction, design and construction fees for the North Wing Project and several equipment purchases) offset by accumulated depreciation and amortization.
- Restricted and other assets increased \$298 thousand due to the cash held by Mono County for the payment of General Obligation Bonds and Capital Appreciation Bonds.
- Current liabilities increased \$1.9 million mainly due to the increase of accrued expense by \$1.4 million and a \$562 thousand increase in current maturities of long-term debt (bond repayment).
- Long-term liabilities decreased by \$2.3 million or 8.9% mainly due to payments of debt during the year.
- Net position increased \$22.6 million or 13.2% due to the income from operations of \$11.5 million, plus nonoperating revenues of \$8.4 million and \$2.3 million for tax revenue for bond principal payments.

Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2025, 2024, and 2023:

The statements of revenues, expenses, and changes in net position in Table 2 presents the results of operating activities and the resulting operating income and loss and nonoperating activity. Nonoperating revenues and expenses consist primarily of property taxes, noncapital contributions, interest, and grants.

Southern Mono Healthcare District d/b/a Mammoth Hospital
Management's Discussion and Analysis

Table 2: Statements of Revenue, Expenses, and Changes in Net Position for the years ended June 30:

	2025	2024	2023	Change from 2024	
				Amount	Percentage
Operating Revenues					
Net patient service revenue	\$ 111,767,744	\$ 106,023,181	\$ 99,145,314	\$ 5,744,563	5.4%
Other revenue	6,550,608	5,464,384	5,854,299	1,086,224	19.9%
Total operating revenues	118,318,352	111,487,565	104,999,613	6,830,787	6.1%
Operating Expenses	106,738,155	100,006,003	94,013,495	6,732,152	6.7%
Operating Income	11,580,197	11,481,562	10,986,118	98,635	0.9%
Nonoperating Revenues (Expenses)					
Tax revenues	4,942,479	3,883,446	4,570,053	1,059,033	27.3%
Interest income	6,455,010	6,127,622	2,290,128	327,388	5.3%
Interest and amortization expense	(1,527,523)	(1,586,607)	(1,653,265)	59,084	-3.7%
Noncapital grants and contributions	-	-	-	-	0.0%
Total nonoperating revenues, net	9,869,966	8,424,461	5,206,916	1,445,505	17.2%
Contributions for Capital Assets	1,110,235	382,375	277,704	727,860	190.4%
Tax Revenues for Debt Principal Payments	2,225,000	2,263,387	1,705,000	(38,387)	-1.7%
Change in Net Position	24,785,398	22,551,785	18,175,738	2,233,613	12.3%
Net Position, Beginning of Year	194,002,119	171,450,334	153,274,596	22,551,785	13.2%
Net Position, End of Year	\$ 218,787,517	\$ 194,002,119	\$ 171,450,334	\$ 24,785,398	12.8%
Total Profit Margin (Change in Net Position Divided by Total Operating and Nonoperating Revenue)	19.3%	18.8%	16.5%		

2025: Analysis of the Statements of Revenue, Expenses, and Changes in Net Position from 2024 to 2025

- Total operating revenues increased \$6.8 million or 6.1% during the year ended June 30, 2025, mainly due to increased volumes and higher supplemental funding (Note 2).
- Operating expenses are those expenses related to the treatment of patients as well as overhead and administrative expenses. Operating expenses increased by \$6.7 million or 6.7% during the year ended June 30, 2025, due to the following:
 - Salaries, wages and benefits increased \$3.0 million or 6% mainly due to increase in FTEs (20 new FTEs – to support new providers and growing programs) and the annual pay raises for staff averaging 4.5%.
 - Professional fee compensation to the physicians increased \$1.6 million or 6.8%, mainly due to increased volumes.
 - Supplies increased by \$1 million mainly due to increased orthopedic implants and pharmaceuticals use and cost.
- Nonoperating revenues, net increased \$1.4 million or 17.2% during the year ended June 30, 2025, mainly due to tax revenues increased for debt repayments and interest income on investment of cash reserves.

As a result of these factors noted previously, net position increased by \$24.8 million or 12.8% during the year ended June 30, 2025.

2024: Analysis of the Statements of Revenue, Expenses, and Changes in Net Position from 2023 to 2024

- Total operating revenues increased \$6.5 million or 6.2% during the year ended June 30, 2024, mainly due to increased charge activity and higher acuity patients.
- Operating expenses are those expenses related to the treatment of patients as well as overhead and administrative expenses. Operating expenses increased by \$6 million or 16% during the year ended June 30, 2024, due to the following:
 - Salaries, wages and benefits increased \$3.5 million or 7.6% mainly due to wage rate increases and increases in employee health claims.
 - Professional fee compensation to the physicians increased \$1.1 million or 5.3%, mainly due to contract rate increases and increased volumes.
 - Supplies increased by \$576 thousand due to increased orthopedic implants and pharmaceuticals use and cost.
- Nonoperating revenues, net increased \$3.2 million or 61.8% during the year ended June 30, 2024, mainly due to interest income on investment of cash reserves.

As a result of these factors noted above, net position increased by \$22.5 million or 13.2% during the year ended June 30, 2024.

Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, which provides answers to such questions as what the sources and uses of cash were, and what was the change in the cash balance during the reporting year.

Southern Mono Healthcare District d/b/a Mammoth Hospital
Management's Discussion and Analysis

Table 3: Statements of Cash Flows for the years ended June 30:

	2025	2024	2023	Change from 2024	
				Amount	Percentage
Cash Flows from (used for)					
Operating activities	\$ 17,049,193	\$ 12,640,227	\$ 14,771,488	\$ 4,408,966	34.9%
Noncapital financing activities	8,133,343	3,131,320	3,100,715	5,002,023	159.7%
Capital and related financing activities	(22,787,175)	(8,506,372)	(12,102,653)	(14,280,803)	167.9%
Investing activities	34,416,383	(8,962,925)	(61,354,872)	43,379,308	-484.0%
Net Change in Cash and Cash Equivalents	36,811,744	(1,697,750)	(55,585,322)	38,509,494	-2268.3%
Cash and Cash Equivalents, Beginning of Year	74,636,039	76,333,789	131,919,111	(1,697,750)	-2.2%
Cash and Cash Equivalents, End of Year	<u>\$ 111,447,783</u>	<u>\$ 74,636,039</u>	<u>\$ 76,333,789</u>	<u>\$ 36,811,744</u>	<u>49.3%</u>

2025: Analysis of the Statements of Cash Flows from 2024 to 2025

- Net cash from operating activities increased \$4.2 million during the year ended June 30, 2025, over the year ended June 30, 2024. This increase is primarily due to the increase in net patient revenues and receipt of additional supplemental funds.
- Net cash outflows used in capital and related financing activities increased \$14.4 million due to several building projects spent – North Wing building, Imaging remodel, Family Medicine remodel, Laboratory remodel and several other capital asset purchases.
- Investing activities outflows increased by \$43.7 million mainly due to increased sales and maturities of investments due to the volatile investment market. Purchases of new investments of \$51.9 million were offset by \$80.2 million sales/maturities/recalls of investments throughout the year. Compared to FY 2024, \$68.7 million of new investments were added in FY 2024 offset by only \$53.6 million in sales.
- The ending cash and cash equivalents of \$111.4 million on June 30, 2025, reflects a \$36.8 million increase from the balance on June 30, 2024.

2024: Analysis of the Statements of Cash Flows from 2023 to 2024

- Net cash from operating activities decreased \$2.1 million during the year ended June 30, 2024, over the year ended June 30, 2023. This decrease is primarily due to the increase in payments for operating expenses (employees, contractors, and suppliers).
- Net cash outflows used in capital and related financing activities decreased \$3.6 million due to a large capital asset purchase in FY 2023, an employee apartment building costing \$5.2 million. FY 2024 total capital purchases were \$7.4 million compared to FY 2023 capital purchases of \$10.8 million.
- Investing activities outflows decreased by \$52.4 million mainly due to only adding \$15 million in new investments in FY 2024 offset by \$6.1 million in investment income. Compared to FY 2023, \$63.6 million of new investments were added in FY 2023 offset by only \$2.3 million in investment income.
- The ending cash and cash equivalents of \$74.6 million at June 30, 2024, reflects a \$1.7 million decrease from the balance at June 30, 2023. However, this decrease is reflective of using the \$15 million of cash reserves to purchase investments.

Southern Mono Healthcare District d/b/a Mammoth Hospital
Management's Discussion and Analysis

Table 4: Key Statistical Data for the years ended June 30, 2025, 2024, and 2023:

	2025	2024	2023	Change from 2024	
				Amount	Percentage
Admissions	438	468	435	(30)	-6.4%
Patient Days	1,188	1,246	1,204	(58)	-4.7%
ICU days	48	90	60	(42)	-46.7%
Med/surg and tele days	1,140	1,156	1,144	(16)	-1.4%
Average Daily Census	3.3	3.4	3.3	(0)	-2.9%
Average Length of Stay	2.7	2.7	2.4	-	0.0%
Observation Equivalent Days	656	528	465	128	24.2%
Observation hours	15,742	12,683	11,150	3,059	24.1%
Emergency Department	11,590	11,044	11,050	546	4.9%
Radiology/Imaging Procedures	22,845	21,275	21,293	1,570	7.4%
Laboratory Tests	97,917	89,421	87,762	8,496	9.5%
Inpatient Surgeries	155	183	205	(28)	-15.3%
Outpatient Surgeries	1,282	1,227	1,262	55	4.5%
Total surgeries	1,437	1,410	1,467	27	1.9%
Family Medicine Clinic	15,136	14,953	14,785	183	1.2%
Behavioral Mental Health Clinic	3,666	4,040	4,880	(374)	-9.3%
Specialty Clinic	9,693	7,914	6,921	1,779	22.5%
Pediatrics Clinic	5,078	5,011	4,977	67	1.3%
Orthopedic Clinic - Mammoth	8,085	7,323	6,990	762	10.4%
Orthopedic Clinic - Bishop	6,074	5,410	4,838	664	12.3%
General Surgery Clinic	1,039	1,178	1,197	(139)	-11.8%
Dental Clinic	5,317	4,452	4,422	865	19.4%
Total clinic visits	54,088	50,281	49,010	3,807	7.6%
Number of Employees	530	504	462	26	5.2%
Full-time equivalents	376	356	352	20	5.6%

2025: Analysis of Key Statistical Data from 2024 to 2025

- Inpatient admissions, patient days, inpatient surgeries reflected a decrease in volumes in the year ended June 30, 2025, compared to the year ended June 30, 2024, following a wide healthcare trend of shifting towards outpatient procedures. Combining inpatient days and observation equivalent days equals 1,844, which is higher than FY2024 by 70 days.
- Emergency room visits and imaging procedures increased FY2025 over FY2024, 4.9% and 7.4% respectively reaching record numbers.
- The District reflected record volumes for total clinic visits particularly in Specialty Clinic which increased 22.5%, the combined ortho clinics increased a total of 22.7%, and dental clinic increase of 19.4%. In all mentioned clinics, the providers increased their availability or new providers were added.

2024: Analysis of Key Statistical Data from 2023 to 2024

- Inpatient admissions, patient days, observation days reflected an increase in volumes in the year ended June 30, 2024, compared to the year ended June 30, 2023. Acuity also increased, evidenced by the 50% increase in ICU days.
- Labor and Delivery unit was closed in January 2022.
- Emergency room visits and imaging procedures remained relatively flat year over year.
- The District reflected record volumes for total clinic visits particularly in Specialty Clinic which increased 14% and the Ortho Clinics that increased a total of 16%. In both clinics, the providers increased their availability. These increases were offset by a 17% drop in Behavioral Mental Health visits due to provider vacancies (a new provider is starting in the fall of 2024).

Capital Assets and Long-Term Debt

Capital Assets

Capital assets, right to use leased assets, and right to use subscription IT assets, net, increased by \$23.0 million to \$74.4 million at June 30, 2025, mainly due to approximately \$28.0 million of capital additions offset by approximately \$5.4 million of depreciation and amortization expense. During fiscal year 2025 the following projects were major contributors to the capital additions – \$17.5 million was spent on the North Wing Project (of that \$5.1 million was for the South Parking Lot), \$4.6 million for the Medical Imaging remodel, \$2.4 million for the Family Medicine Clinic remodel, \$760 thousand for Digital Radiography – X-Ray, \$600 thousand for the start of the laboratory remodel, \$296 thousand for Lab Chemistry Analyzer, and the remaining was regular capital additions.

North Wing Project

California's Office of State Health Planning and Development (OSHPD) has mandated all California hospitals to meet Senate Bill 1953 for seismic structural and non-structural performance by the deadline of 2030. The District's original hospital was built in 1978 which contains the inpatient rooms and other support services and does not currently meet the NPC3+ (Non-structural Performance Categories) requirements.

In March 2022, the District Board approved a changed plan from the Design-Bid-Build model to a Design-Build model supported under the California public bidding regulations. The Design-Build model has several advantages. The design and the building phases of the project are performed by an architectural firm partnered with a building firm; this allows the District to sign a contract for a fixed amount for the project ensuring a known total project cost. Further, the Design-Build company is incentivized to control costs and to provide value engineering working closely with their subcontractors and the owner to produce the best, most cost effective, solutions. In FY 2023 the District signed a contract for \$1.9 million with Kasa Healthcare for construction project management. As of June 30, 2025, the outstanding commitment on this contract is \$1.6 million.

Southern Mono Healthcare District d/b/a Mammoth Hospital Management's Discussion and Analysis

As a precursor to the construction of the North Wing Project (NWP) the District needed to rework the South Parking Lot on campus and add 80 additional parking spaces. In June 2023, the District Board approved a \$5.8 million contract for this work with Spiess Construction Company Inc. Construction began in August 2023 and it was complete in July 2025. As of June 30, 2025, the outstanding commitment on this contract is \$300 thousand, which was paid in July 2025.

In December 2023, the District Board awarded the NWP design and construction to SB James/Clark & Sullivan Joint Venture (JV). The Board directed management to further work on the proposed plan to reduce the cost for a Guarantee Maximum Price (GMP). In July 2024 the original GMP of \$131 million was approved by the District Board. During FY2025 a few minor Board approved design changes were made which increased the GMP to \$131.8 million. As of June 30, 2025, a total of \$6.3 million has been paid to the JV, with an additional amount of \$4.1 million accrued at year end. Thus, the total outstanding commitment to the JV is \$121.4 million.

The NWP will consist of one new two-story building built on the northeast side of the campus, totaling around 64,000 square feet. The top floor will consist of 13 patient rooms (4 ICU and 9 Med/Surg), five of the med/surg rooms will be larger (super singles) to allow two beds per room as needed during higher volume periods. Thus, a total of 18 patient beds (currently have 15 beds). The top floor will also house the pre-post anesthesia care (PACU) unit and an outpatient services unit for endoscopy and other outpatient procedures. The bottom floor will become the main entrance to the hospital and will be occupied by the main admitting, the kitchen/dining area, and other support services. There will be 3 all-weather enclosed walkways on the top floor that connect to the newer 2007 campus building addition (operating room, radiology, and emergency department).

Grading and site preparation commenced in May 2025 and was completed in July 2025. In August 2025 construction began on the foundation. The new North Wing building is scheduled to be completed by the end of 2027. Once the services housed in the existing facility (PACU, Endoscopy) can move into the new building, some additional clean up construction will occur in the old PACU and procedure spaces to connect through the new public hallway to the new building. All aspects of the project are expected to be completed by the middle of the calendar year 2028.

The total project cost (including the South Parking Lot) is estimated to be \$155.6 million. In April 2025, management contracted with Kaufman Hall for \$255 thousand to serve as independent registered municipal advisor ("IRMA") in connection with the planned bond financing. As of June 30, 2025, a total of \$42.5 thousand has been paid to Kaufman Hall. Thus, the total outstanding commitment to Kaufman Hall is \$212.5 thousand. In May 2025, management distributed a Request for Proposal for an Investment Bank/Underwriter (which includes Underwriters Counsel) and after review of responses Piper-Sandler Company was selected as Underwriter and Polsinelli as Underwriter Counsel. In addition, management has engaged Orrick as Bond Counsel. Kaufman Hall updated the District's financial projections to include the FY2025 audited financial results and FY2026 budget. The updated financial projections confirmed the District's previous need of \$50 million in financing. The District will use its cash reserves for the remaining less philanthropic funds raised in an aggressive campaign. The Financing Team (members mentioned above) has evaluated financing options and will attend the District Board in September 2025 to present the final debt structure and obtain approval of a resolution to issue debt that will be secured by the revenue of the District. It is expected that the debt will be issued in October 2025.

Other Remodel Projects

Medical Imaging Remodel and CT installation – The District is also remodeling the Medical Imaging department to accommodate the growing patient needs for services. The remodel will allow expansion into space that was decommissioned as the Labor and Delivery unit. The additional space will allow for the installation of a new CT Scanner, accommodate imaging reading rooms for the Radiologists, and add additional space as required for new building codes. In March 2024 the District Board awarded the construction bid of \$3.8 million to Healthcare Design and Construction, LLC (“HDC”). As of June 30, 2025, a total of \$3 million has been paid to HDC. Thus, the total outstanding commitment to HDC is \$800 thousand. The District has also committed to purchasing Canon Medical Systems USA, Inc. CT Scanner for \$706 thousand and has been fully paid as of June 30, 2025. In addition, the District has contracted with Greenbough Design for \$204 thousand and has been fully paid as of June 30, 2025. The total project is expected to cost \$5.2 million with \$4.2 million paid as of June 30, 2025, and expected to be completed in September 2025.

Family Medicine Clinic Remodel – The patient visit demand for the Family Medicine providers continues to grow but due to limited patient treatment rooms there is no ability to add providers to accommodate. The remodel will increase the patient rooms from 16 to 19 patient rooms, make better use of a portion of the under-utilized patient waiting area, improve the overall patient and provider flow, and provide more privacy for patients during check-in and check-out. In September 2023, the District awarded the construction bid of \$3.4 million to Kelly Harrison Inc., dba KHI Construction. In addition, the District contracted with Greenbough Designs for \$420 thousand. As of June 30, 2025, the total outstanding commitment was \$1 million and \$11 thousand to KHI and Greenbough, respectively. Construction started in March 2024 and due to the multiple phases needed to keep the clinic operational. The entire remodel project is estimated at \$4.8 million which includes furniture and fixtures and is expected to be completed in October 2025.

Laboratory Remodel – The volume of laboratory tests and the need for testing equipment in the laboratory has grown significantly. When the space between the laboratory and the Dental Clinic was vacated, plans were made to expand both into this space. KHI was awarded the construction bid for both expansions in the amount of \$2 million. The dental clinic project was completed in February 2024. \$1.1 million of the KHI commitment remained for the laboratory. As of June 30, 2025, the outstanding commitment to KHI for the laboratory was \$248 thousand. The entire cost of the laboratory remodel project and equipment is estimated at \$1.9 million and was completed in August 2025.

Long-Term Debt

Long-term debt including lease liabilities and subscription IT liabilities, less current maturities, decreased by \$1.8 million to \$21.8 million at June 30, 2025. Long-term debt, less current maturities were \$23.6 million as of June 30, 2024. Lease liabilities and IT subscriptions liabilities were lowered by \$1.3 million in fiscal year 2025. Bond payments of approximately \$1.9 million were made in FY 2025 as scheduled, lowering the long-term debt at June 30, 2025, which was offset by interest accretion.

See the North Wing Project above for discussion about \$50 million in new debt, secured by the revenue of the District, to be issued in FY2026.

Other Considerations

Mammoth Hospital is in a rural ski and mountain resort community and as such, derives a portion of its business from the visitors to the town. Many residents from Southern California enjoy the recreational activities that Mammoth Lakes and the surrounding areas have to offer.

Value-Based Care

Mammoth Hospital is committed to advancing outpatient clinical practices to align with the goals of the Affordable Care Act: improve the health of populations, improve the patient experience, and reduce the cost of healthcare.

- Mammoth Hospital is in its tenth year of participating in an Accountable Care Organization (ACO) with Wellvana (formally Caravan Health). Mammoth Hospital has focused on providing Care Coordination services to Medicare patients who have significant health risks (multiple chronic conditions, etc.). Population Health Nurses partner with providers and patients to help the patients better manage their conditions and follow the recommended care plan of the provider. In FY 2025, SMHD received approximately \$178,000 of ACO Shared Savings for high quality and reduced cost to CMS for CY 2023. In FY 2024, SMHD received \$119,000 for the results of CY 2022, and in FY2023, SMHD received \$311,000 for the results of CY 2022.
- Mammoth Hospital collaborated with the other California hospital districts through the District Hospital Leadership Forum (DHLF) to participate in the CMS' Section 1115 Waiver and other financial programs.
- DHLF, DHCS and CMS approved the District Hospitals to participate in a program called the Quality Incentive Program (QIP) which started on January 1, 2021. CMS and DHCS approved the CY 2025 plan-year and DHLF will submit each subsequent plan year for approval. This program requires performance improvement on nationally recognized quality metrics. Due to reaching the goals of the 12 quality metric goals for the previous 2 years, SMHD was able to increase the number of quality metrics from 12 to 15 in CY 2025 to potentially receive more funds from this program. The metrics focus on disease prevention, early detection of health conditions and overall wellness. In FY 2025, SMHD received \$3.8 million for the results of CY 2023, in FY 2024 SMHD received \$3.3 million for the results of CY 2022, and in FY 2023 SMHD received \$3.2 million for the results of CY 2021. The final reporting of metric performance for CY 2024 was submitted at the end of FY 2025.

HR – 1 – One Big Beautiful Bill Act

On July 4, 2025, President Donald Trump signed H.R.-1 “One Big Beautiful Bill Act (OBBBA)”. While it is still too early to know the potential impact on hospitals as it relates to Medicaid funding, the District Hospital Leadership Forum has provided guidance on how to estimate the hospital potential impact on the Medi-Cal Supplemental funds that we receive each year to cover the cost of caring for Medi-Cal patients. The changes and resulting financial impact extend over the next several years. It is expected that there would be minimal impact on the District in FY 2026 and FY 2027. Full implementation of OBBBA and the impact on hospitals is expected by FY 2030. The District is estimating a potential reduction in Medi-Cal program supplemental funds of up to \$3.5 million per year, once fully implemented. However, there are some new sources of funding and other activities that could reduce this impact. Management will continue to monitor the implementation of OBBBA and the impact.

Contacting the District's Management

This financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Melanie Van Winkle, Chief Financial Officer at 760-924-4012 at Mammoth Hospital, PO Box 660, 85 Sierra Park Road, Mammoth Lakes, California 93546.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Statements of Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 93,475,161	\$ 58,199,879
Restricted cash, held in trust by Mono County	2,342,835	1,963,204
Short-term investments	7,467,272	30,813,543
Receivables		
Patient receivables, net of estimated uncollectible accounts of approximately \$2,889,000 in 2025 and \$4,125,000 in 2024	19,210,062	18,919,822
Receivable from Mono County	1,011,451	738,505
Inventories	1,948,170	2,054,043
Prepaid expenses and other assets	3,477,754	2,255,424
Total current assets	128,932,705	114,944,420
Noncurrent Cash		
Restricted cash for debt service	15,629,207	14,472,376
Restricted cash by contributors	580	580
Total noncurrent cash	15,629,787	14,472,956
Long-Term Investments	42,817,378	47,504,600
Capital Assets		
Capital assets not being depreciated	41,333,383	14,435,844
Capital assets being depreciated, net	30,360,835	32,836,646
Right to use leased assets, net	208,976	362,921
Right to use subscription IT assets, net	2,527,333	3,748,625
Total capital assets	74,430,527	51,384,036
Investment in Joint Venture	3,230,000	3,230,000
Total assets	\$ 265,040,397	\$ 231,536,012

Southern Mono Healthcare District d/b/a Mammoth Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue (net of provision for bad debts of approximately \$2,951,00 in 2025 and \$3,435,000 in 2024)	\$ 111,767,744	\$ 106,023,181
Other revenue	6,550,608	5,464,384
Total operating revenues	118,318,352	111,487,565
Operating Expenses		
Salaries, wages, and benefits	52,875,359	49,877,916
Professional fees	24,445,324	22,886,339
Supplies	12,350,197	11,310,217
Purchased services	5,614,256	4,761,172
Utilities	2,064,717	1,994,513
Rents and leases	310,210	327,727
Insurance	1,451,063	1,327,665
Depreciation and amortization	5,363,737	5,208,712
Other	2,263,292	2,311,742
Total operating expenses	106,738,155	100,006,003
Operating Income	11,580,197	11,481,562
Nonoperating Revenues (Expenses)		
Tax revenues	4,942,479	3,883,446
Investment income	6,455,010	6,127,622
Interest expense	(1,527,523)	(1,586,607)
Total nonoperating revenues, net	9,869,966	8,424,461
Revenues in Excess of Expenses Before Capital Contributions and Tax Revenues for Debt Principal Payments	21,450,163	19,906,023
Contributions for Capital Assets	1,110,235	382,375
Tax Revenues for Debt Principal Payments	2,225,000	2,263,387
Change in Net Position	24,785,398	22,551,785
Net Position, Beginning of Year	194,002,119	171,450,334
Net Position, End of Year	\$ 218,787,517	\$ 194,002,119

Southern Mono Healthcare District d/b/a Mammoth Hospital

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 112,083,153	\$ 101,379,942
Payments to suppliers and contractors	(49,109,212)	(44,559,844)
Payments to and on behalf of employees	(52,475,356)	(49,644,255)
Other receipts	<u>6,550,608</u>	<u>5,464,384</u>
Net Cash from Operating Activities	<u>17,049,193</u>	<u>12,640,227</u>
Noncapital Financing Activities		
Property taxes received	4,669,533	3,131,320
Employee retention credit	<u>3,463,810</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	<u>8,133,343</u>	<u>3,131,320</u>
Capital and Capital Related Financing Activities		
Purchase of capital assets	(22,200,213)	(7,379,508)
Principal payments on long-term debt	(1,880,000)	(1,705,000)
Contributions for capital assets	1,110,235	382,375
Principal payments on lease liabilities	(289,799)	(230,930)
Principal payments on subscription IT liabilities	(1,567,014)	(1,416,546)
Property taxes restricted to debt service	2,225,000	2,263,387
Interest paid	<u>(185,384)</u>	<u>(420,150)</u>
Net Cash used for Capital and Related Financing Activities	<u>(22,787,175)</u>	<u>(8,506,372)</u>
Investing Activities		
Purchases of investments	(51,865,779)	(68,715,547)
Sales and maturities of investments	79,827,152	53,625,000
Investment income	<u>6,455,010</u>	<u>6,127,622</u>
Net Cash from (used for) Investing Activities	<u>34,416,383</u>	<u>(8,962,925)</u>
Net Change in Cash and Cash Equivalents	36,811,744	(1,697,750)
Cash and Cash Equivalents, Beginning of Year	<u>74,636,039</u>	<u>76,333,789</u>
Cash and Cash Equivalents, End of Year	<u>\$ 111,447,783</u>	<u>\$ 74,636,039</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents and restricted cash in current assets	\$ 95,817,996	\$ 60,163,083
Cash and cash equivalents and restricted cash in noncurrent cash	<u>15,629,787</u>	<u>14,472,956</u>
Total cash and cash equivalents	<u>\$ 111,447,783</u>	<u>\$ 74,636,039</u>

Southern Mono Healthcare District d/b/a Mammoth Hospital

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 11,580,197	\$ 11,481,562
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	5,363,737	5,208,712
Provision for bad debts	2,950,898	3,434,604
Changes in assets and liabilities		
Receivables	(3,241,138)	(8,154,391)
Inventories	105,873	(11,418)
Prepaid expenses	(1,222,330)	(718,333)
Accounts payable	1,091,953	1,165,830
Accrued salaries and benefits	238,703	304,715
Accrued compensated absences	212,350	87,146
Estimated liability for healthcare claims	(31,050)	(158,200)
Net Cash from Operating Activities	\$ 17,049,193	\$ 12,640,227
Supplemental Disclosure of Noncash Capital and Capital Related		
Subscription IT liability for the acquisition of a right to use subscription asset	\$ 273,952	\$ 334,096
Lease liability for the acquisition of a right to use leased asset	128,958	-
Accounts payable for construction	5,836,244	-

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Southern Mono Healthcare District d/b/a Mammoth Hospital (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting Entity

The District is a political subdivision of the State of California, organized under the Local Healthcare District Law as set forth in the Health and Safety Code of the State of California. The District operates Mammoth Hospital (the Hospital), which is located in Mammoth Lakes, California, a small resort community in the Eastern Sierra Mountains. The Hospital has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Hospital is licensed for 15 beds. The Hospital serves the surrounding community, as well as visitors to the area throughout the year, deriving a significant portion of revenue from third-party payors, including private insurance, Medicare, and Medi-Cal.

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

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete.

Mammoth Hospital Auxiliary, Inc. (the Auxiliary) has been determined to be, and is presented as, a blended component unit (Note 14). The Auxiliary acts primarily as a fundraising organization to supplement the resources that are available to the District in support of its operations and programs. The financial statements include the financial activity of the Hospital and the Auxiliary, collectively referred to as the District. Financial statements of the Auxiliary can be obtained by contacting the District's Finance Director.

Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the District's assets, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets, reduced by the outstanding balances of any related debt obligations, lease liabilities, subscription IT liabilities, and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows 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 results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding cash with restrictions. For purposes of the statement of cash flows, the District considers its investment in the Local Agency Investment Fund (LAIF) and County treasury to be cash equivalents.

Short-Term Investments

Short-term investments include certificates of deposit, U.S. government agency securities, and corporate bonds with an original maturity of 3 to 12 months, excluding internally designated or restricted cash and investments.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets which includes amounts held in trust by Mono County. Restricted cash also includes a debt service fund into which levied property taxes are deposited to pay principal and interest due on the General Obligation Bonds. This ad valorem property tax is irrevocably pledged to the payments of debt service. This fund is held in the County of Mono Treasury (the Treasury).

Noncurrent cash consists of restricted contributions by donors and cash in a debt service fund designated for the accreted interest payments related to the capital appreciation bonds. Future debt service payments for the capital appreciation bonds are assessed periodically and deposited into this debt service sinking fund. The restricted cash from such deposits are included with the cash deposited in a financial institution.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. The District does not charge interest on unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for 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). Management also reviews patient receivables by payor class and applies applicable percentages for estimated amounts that will not be collected from third parties based upon the terms of the contractual agreements. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a 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.

Inventories

Inventories are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Long-Term Investments

Long-term investments include investments with a remaining maturity of greater than 12 months and consists of certificates of deposit, corporate bonds, and U.S. Government obligations measured at fair value.

Investment Income

Interest, dividends, gains, and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	5-20 years
Buildings and improvements	20-40 years
Equipment	3-7 years
Right-to-use assets	3-6 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Interest cost before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful lives of the underlying asset using the straight-line method. The amortization period varies from three to six years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful lives of the underlying asset using the straight-line method. The amortization period varies from three to six years.

Impairment of Long-Lived Assets

The District considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2025 and 2024.

Investments in Joint Venture and Other Operating Agreements

Joint ventures in which the District has an equity interest and an ongoing financial interest are reported originally at cost and adjusted for changes in the equity interest in accordance with the joint venture agreement and for any other transactions, such as a return on capital. Equity earnings from joint ventures are included in other operating income. In June of 2018, the District invested in and entered into a joint operating agreement for an apartment building. The asset of \$3,230,000 related to this agreement is recorded as an other long-term asset on the statements of net position. There was no significant operating activity in 2025 or 2024.

Bond Premiums

Bond premiums relating to the General Obligation Bonds are netted against the debt payable on the statement of net position. Bond premiums are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. The amortization is included in interest expense.

Compensated Absences

The District employees earn paid time off (PTO) at varying rates, depending on years of service. PTO accumulates up to a specific amount, as defined in the District's employee manual. Employees are paid for accumulated PTO if employment is terminated. The liability for compensated absences is calculated using current pay rates and includes salary-related payments that are directly and incrementally associated with payments for leave, such as payroll taxes and certain employee benefits. The compensated absences liability is separately presented on the statements of net position as current, based on the estimated timing of future payments.

Estimated Health Claims Payable

The District provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in current liabilities on the statement of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in operating expenses in the period in which the change in estimate is identified.

Deferred Inflows of Resources

The District reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. The District will not recognize the inflows until a future event occurs. The deferred inflows of resources reported in the financial statements relate to a deferred gain on refunding. Deferred gain on refunding costs relating to the General Obligation Bonds are being amortized over the shorter of the life of the refunding debt (new debt) and the refunded debt (old debt) using the straight-line method, which approximates the effective interest method. The amortization is included in interest expense.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present values of lease payments are discounted based on a borrowing rate determined by the District.

Subscription IT Liabilities

Subscription IT liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription IT liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present values of subscription payments are discounted based on a borrowing rate determined by the District.

Property Tax

Property taxes are levied by the County on the District's behalf and are intended to support operations and to service debt. The amount of property tax received is dependent upon the assessed real property valuations as determined by the County Assessor. Secured property taxes are levied July 1, and are due in two equal installments on November 1 and February 1 each year, and are delinquent if not paid by December 10 and April 10. Secured property taxes become a lien on the property on January 1. The District received approximately 5.5% and 5.3% of its financial support from property taxes in 2025 and 2024.

Operating Revenues and Expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues of the District result from exchange transactions associated with providing healthcare services – the District's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Charity Care

The District provides healthcare services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the District does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$771,000 and \$829,000 for the years ended June 30, 2025 and 2024, respectively, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

The District receives grants and contributions from governmental and private entities. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses.

Adoption of New Standard

As of July 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

As of July 1, 2024, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

Note 2 - Net Patient Service Revenue

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

Medicare: Inpatient acute and outpatient services rendered to Medicare program beneficiaries are reimbursed primarily under a cost reimbursement methodology pursuant to the District's designation as a critical access hospital. Costs are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare Administrative Contractor (MAC). The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Medicare cost reports have been audited by the fiscal intermediary through June 30, 2021.

Medi-Cal: Reimbursement for hospital inpatient services provided to Medi-Cal beneficiaries are based on a diagnosis-related group (DRG)-based methodology and uses the All-Patient Refined DRGs (APR-DRGs) algorithm. Outpatient services are paid at prospectively determined rates per procedure determined by the State of California. Outpatient services delivered at the clinic are reimbursed using a prospectively determined payment system. Medi-Cal cost reports have been audited through June 30, 2021.

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

Revenue from the Medicare and Medi-Cal programs accounted for approximately 20% and 17% of the District's net patient service revenue for the year ended June 30, 2025, and 20% and 15% of the District's net patient service revenue for the year ended June 30, 2024. Laws and regulations governing the Medicare, Medi-Cal, and other 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. The net patient service revenue for the years ended June 30, 2025 and 2024, increased approximately \$768,000 and \$642,000, respectively, due to adjustments to amounts previously estimated as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations or related to other adjustments due to contractual arrangements with third party payers. The net patient service revenue for the years ended June 30, 2025 and 2024, increased approximately \$1,684,000 and \$1,472,000, respectively, due to supplemental payments.

Medi-Cal Payments

California legislation provides for a Medi-Cal supplemental payment for Medi-Cal outpatient hospital services. As a result of this program, payments received were \$567,393 and \$692,369 in the years ended June 30, 2025 and 2024, respectively. In addition, during the years ended June 30, 2025 and 2024, the District also received payments of \$105,095 and \$243,457, respectively, for a Medi-Cal supplemental payment for Medi-Cal inpatient hospital services for qualified non-designated public hospitals.

During the year ended June 30, 2025, the District also received a payment of \$223,355 for a District Hospital Direct Payment Program for network contracted services.

The California Department of Healthcare Services (DHCS) implemented The Hospital Quality Assurance Fee (HQAF) program in 2010. The program provides funding for supplemental payments to California hospitals that serve Medi-Cal and uninsured patients. The District received \$714,506 and \$846,807 in the years ended June 30, 2025 and 2024, respectively, under this program.

California legislation also provides for a Rate Range Supplemental Program for additional payments for outpatient hospital services. As a result of this program, net payments received were \$6,111,447 and \$4,668,829 in the years ended June 30, 2025 and 2024, respectively.

The District records these amounts as revenue within net patient service revenue, when the revenue is estimable and is reasonably assured of being collected, generally when payments are received.

California legislation also provided for a Quality Incentive Program (QIP) program for certain quality initiatives. As a result of this program, payments received were \$3,774,489 and \$3,294,383 in the years ended June 30, 2025 and 2024, respectively. The District records these amounts as other operating revenue within operating revenue, when the revenue is estimable and is reasonably assured of being collected, generally when payments are received.

Note 3 - Fair Value Measurement

The District has determined the fair value of certain investments in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. A hierarchy of valuation classifications considers whether the inputs used in valuation techniques are observable or unobservable. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the valuation inputs into the following three broad levels:

Level 1 – Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the District's own assumptions, but the market participant's assumptions may be used in pricing the asset.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the District defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the District performed a detailed analysis of the assets that are subject to fair value measurement. The District establishes the fair value of certain investments that do not have a readily determinable fair value by using net asset value (NAV) per unit. Investments measured at NAV per unit are not categorized within the fair value hierarchy.

The fair value of U.S. government agency securities, corporate bonds, and certificates of deposits was determined based on quoted prices for similar securities in active markets and/or quoted prices in markets that are not active, which are considered Level 2 inputs.

Deposits and withdrawals in governmental investment pools, such as LAIF and the County treasury, are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Note 4 - Deposits and Investments

The carrying amounts of deposits and investments consisted of the following at June 30:

	2025	2024
Carrying amount		
Petty cash	\$ 3,092	\$ 3,590
Deposits	36,444,691	22,795,417
Investments	125,284,650	130,155,175
Total	\$ 161,732,433	\$ 152,954,182

Deposits and investments are reported in the following statements of net position captions:

	2025	2024
Cash and cash equivalents	\$ 93,475,161	\$ 58,199,879
Restricted cash, held in trust by Mono County	2,342,835	1,963,204
Short-term investments	7,467,272	30,813,543
Restricted cash for debt service	15,629,207	14,472,376
Restricted cash by contributors	580	580
Long-term investments	42,817,378	47,504,600
	\$ 161,732,433	\$ 152,954,182

Cash and Deposits

The carrying amount of deposits includes checking accounts, savings accounts, and money market accounts at financial institutions.

A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Other investments considered cash equivalents do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, bank deposits may not be returned. The District has a collateralization agreement with the bank, which mitigates custodial credit risk. Cash balances in the bank amounted to \$18,472,658 and \$6,305,309 at June 30, 2025 and 2024, respectively. Deposits amounting to \$250,000 are covered by depository insurance and the balance is subject to the collateralization agreement. The District’s deposits in banks at June 30, 2025 and 2024, were entirely covered by federal depository insurance or by collateral held by the District’s custodial bank in the District’s name.

The Treasury maintains amounts in a pooled investment fund and is restricted by California Government Code, Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes, bonds, LAIF, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The Treasury invests primarily in LAIF. The fair value of the District’s position in the pool approximates the carrying value of the pool shares. The Treasury is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code, Section 27130. The District is considered to be an involuntary participant in the Treasury.

Investments

The District’s investments are reported at fair value. The District is authorized by statute to invest funds in obligations of the United States and certain U.S. Government agency securities, corporate bonds, commercial paper, local government investment pools, certain money market funds, repurchase agreements, negotiable certificates of deposit, collateralized bank deposits, and mortgage pass-through deposits.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>Less Than 1</u>	<u>1-5</u>
June 30, 2025				
U.S. Government Agency Securities	\$ 38,403,733	Aa1	\$ 499,580	\$ 37,904,153
Corporate Bonds	1,481,250	A1	-	1,481,250
Corporate Bonds	6,967,692	A2	6,967,692	-
Corporate Bonds	1,446,795	A3	-	1,446,795
Corporate Bonds	1,985,180	Aa2	-	1,985,180
LAIF	75,000,000	N/A	75,000,000	-
Total	<u>\$ 125,284,650</u>		<u>\$ 82,467,272</u>	<u>\$ 42,817,378</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>Less Than 1</u>	<u>1-5</u>
June 30, 2024				
Certificates of Deposit	\$ 1,861,451	N/A	\$ 924,038	\$ 937,413
U.S. Government Agency Securities	50,557,743	Aaa	10,981,610	39,576,133
Corporate Bonds	13,945,802	A1	13,945,802	-
Corporate Bonds	8,952,997	A2	4,962,093	3,990,904
Corporate Bonds	3,000,150	Aa3	-	3,000,150
LAIF	51,837,032	N/A	51,837,032	-
Total	<u>\$ 130,155,175</u>		<u>\$ 82,650,575</u>	<u>\$ 47,504,600</u>

Credit Risk

The District's investment policy and state statutes limit investments in commercial paper to the highest rating issued by a nationally recognized statistical rating organization (NRSRO). Investments in money market funds are limited to those with the highest rating issued by at least two NRSROs. Mortgage pass-through deposits must not be rated below AA or its equivalent or better as provided by any NRSRO.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

	2025	2024
Federal Home Loan Bank	12%	15%
Federal Home Loan Mortgage Corporation	13%	8%
Federal National Mortgage Association	0%	14%
Federal Farm Credit Banks Bond	6%	0%

Investment Income

Investment income, primarily interest income, for the years ended June 30, 2025 and 2024, was \$6,455,010 and \$6,127,622, respectively.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2025, are as follows:

	Balance, June 30, 2024	Additions	Transfers/ Retirements	Balance, June 30, 2025
Capital assets not being depreciated				
Land	\$ 5,440,694	\$ -	\$ -	\$ 5,440,694
Construction in progress	8,995,150	28,036,457	(1,138,918)	35,892,689
Total capital assets not being depreciated	14,435,844	28,036,457	(1,138,918)	41,333,383
Capital assets being depreciated				
Land improvements	2,612,046	-	-	2,612,046
Buildings and fixed equipment	63,836,318	-	102,987	63,939,305
Equipment	43,341,044	-	773,667	44,114,711
Total capital assets being depreciated	109,789,408	-	876,654	110,666,062
Less accumulated depreciation for				
Land improvements	(1,881,688)	(93,954)	-	(1,975,642)
Buildings and fixed equipment	(40,631,160)	(1,704,441)	-	(42,335,601)
Equipment	(34,439,914)	(1,787,194)	233,124	(35,993,984)
Total accumulated depreciation	(76,952,762)	\$ (3,585,589)	\$ 233,124	(80,305,227)
Net capital assets being depreciated	32,836,646			30,360,835
Capital assets, net	\$ 47,272,490			\$ 71,694,218

At June 30, 2025, construction in progress represents cost related to the North Wing Project, Medical Imaging remodel and CT installation, Family Medicine Clinic remodel, and the laboratory remodel. Firm commitments of approximately \$124,000,000 exists for all these projects. The largest commitment, approximately \$122,900,000, is for construction and project management of the North Wing Project.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Capital assets activity for the year ended June 30, 2024, are as follows:

	Balance, June 30, 2023	Additions	Transfers/ Retirements	Balance, June 30, 2024
Capital assets not being depreciated				
Land	\$ 5,440,694	\$ -	\$ -	\$ 5,440,694
Construction in progress	6,583,834	7,379,508	(4,968,192)	8,995,150
Total capital assets not being depreciated	12,024,528	7,379,508	(4,968,192)	14,435,844
Capital assets being depreciated				
Land improvements	2,612,046	-	-	2,612,046
Buildings and fixed equipment	62,031,123	-	1,805,195	63,836,318
Equipment	40,178,047	-	3,162,997	43,341,044
Total capital assets being depreciated	104,821,216	-	4,968,192	109,789,408
Less accumulated depreciation for				
Land improvements	(1,784,944)	(96,744)	-	(1,881,688)
Buildings and fixed equipment	(37,602,992)	(3,028,168)	-	(40,631,160)
Equipment	(34,039,719)	(400,195)	-	(34,439,914)
Total accumulated depreciation	(73,427,655)	\$ (3,525,107)	\$ -	(76,952,762)
Net capital assets being depreciated	31,393,561			32,836,646
Capital assets, net	\$ 43,418,089			\$ 47,272,490

Note 6 - Long-Term Liabilities

Long-term liabilities consists of the following at June 30, 2025 and 2024:

	Balance, June 30, 2024	Additions	Payments	Balance, June 30, 2025	Amounts Due Within One Year
General obligation bonds					
Serial and term bonds	\$ 2,990,000	\$ -	\$ (1,880,000)	\$ 1,110,000	\$ 165,000
Capital appreciation bonds	19,976,056	1,426,020	-	21,402,076	2,060,000
Unamortized bond premium	229,656	-	(101,259)	128,397	-
Compensated absences	3,013,753	212,350	-	3,226,103	3,226,103
Total long-term liabilities	\$ 26,209,465	\$ 1,638,370	\$ (1,981,259)	\$ 25,866,576	\$ 5,451,103

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

	Balance, June 30, 2023	Additions	Payments	Balance, June 30, 2024	Amounts Due Within One Year
General obligation bonds					
Serial and term bonds	\$ 4,695,000	\$ -	\$ (1,705,000)	\$ 2,990,000	\$ 1,880,000
Capital appreciation bonds	18,646,729	1,329,327	-	19,976,056	387,387
Unamortized bond premium	330,915	-	(101,259)	229,656	-
Compensated absences	2,926,607	87,146	-	3,013,753	3,013,753
Total long-term liabilities	<u>\$ 26,599,251</u>	<u>\$ 1,416,473</u>	<u>\$ (1,806,259)</u>	<u>\$ 26,209,465</u>	<u>\$ 5,281,140</u>

The terms and due dates of the District's general obligation bonds at June 30, 2025, are as follows:

General Obligation Bonds	Maturity	Annual Fixed Interest Rate	Original Amount Issued	Balance, June 30, 2025
Series A - issued 2002				
Capital appreciation bonds	August 2025 to 2031	5.94% to 6.0%	<u>\$ 2,456,346</u>	<u>\$ 13,126,254</u>
Series B - issued 2004				
Capital appreciation bonds	August 2032 to May 2034	5.77% to 5.819%	<u>1,234,597</u>	<u>4,838,249</u>
Series C - issued 2005				
Current interest serial bonds	August 2025	4.50%	1,970,000	165,000
Term bonds	August 2026 to 2029	4.50%	945,000	945,000
Capital appreciation bonds	August 2030 to 2035	5.10%	<u>1,073,612</u>	<u>3,437,573</u>
			<u>3,988,612</u>	<u>4,547,573</u>
			<u>\$ 7,679,555</u>	<u>\$ 22,512,076</u>

The balance in the table above represents the current amounts outstanding for serial, term, and refunding bonds, and the original amount issued plus appreciation of interest for the capital appreciation bonds.

The serial and term bonds are due in varying annual principal payments and semi-annual fixed interest payments. Accrued interest is added to the capital appreciation bonds and is paid at maturity.

The bonds are general obligations of the District. The District has the power and is obligated to cause to be levied and collected the annual *ad valorem* taxes for payment of the bonds and the interest thereon upon all property within the District and without limitation as to rate or amount.

Accreted interest is to be added to the Capital Appreciation Bonds in future years. Principal maturities, which commence August 2025, and future accreted interest on the Capital Appreciation Bonds, are included in the following principal maturities.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

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

Years Ending June 30,	Long-Term Debt		
	Principal	Interest	Total
2026	\$ 2,225,000	\$ 49,950	\$ 2,274,950
2027	2,340,000	42,525	2,382,525
2028	2,460,000	33,975	2,493,975
2029	2,590,000	24,075	2,614,075
2030	2,725,000	12,825	2,737,825
2031-2035	15,025,000	-	15,025,000
2036	4,271,433	-	4,271,433
Subtotal	31,636,433	<u>\$ 163,350</u>	<u>\$ 31,799,783</u>
Less unaccreted interest	(9,124,357)		
Add bond premium	128,397		
	<u>\$ 22,640,473</u>		

Scheduled future accreted interest payments are as follows:

Years Ending June 30,	Future Interest Accretion
2026	\$ 1,388,982
2027	1,329,917
2028	1,259,691
2029	1,176,788
2030	1,080,220
2031-2035	2,871,021
2036	17,738
Subtotal	<u>\$ 9,124,357</u>

Note 7 - Joint Powers Agreement

The District participates in an agreement with the BETA Healthcare Group Risk Management Authority (BETARMA), which is a component of BETA Healthcare Group (BETA). BETARMA is a self-insurance program (the Program) providing comprehensive liability coverage for certain healthcare districts of the Association of California Healthcare Districts, Inc. (ACHD) and other governmental and nonprofit hospitals, healthcare facilities, medical groups, and medical foundations in California. BETARMA operates as an agency separate and distinct from ACHD. The District pays a premium commensurate with the level of coverage requested. The Program provides coverage on a claims-made basis. A claims-made insurance policy does not represent a transfer of risk for claims and incidents not reported to the insurance carrier during the policy period.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Consequently, a healthcare organization insured under a claims-made policy recognizes the estimated cost of those claims and incidents not reported to the insurance carrier as of the end of the reporting period, if there are any. Management does not believe that the cost of any claims and incidents not reported to the insurance provider as of June 30, 2025, will be material to the financial statements.

Condensed financial information of BETA Healthcare Group as of and for the 12-month periods ended December 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 775,614,138	\$ 753,944,567
Total liabilities	533,270,577	511,976,348
Net position	\$ 242,343,561	\$ 241,968,219
Total revenues	\$ 170,222,989	\$ 166,832,069
Total expenditures	(165,279,025)	(164,114,641)
Net income from operations	\$ 4,943,964	\$ 2,717,428

Note 8 - Self-Insured Healthcare Plan

The District arranges for medical, dental, and vision coverage for eligible employees and dependents. Dental and vision coverage are provided via fully indemnified plans provided by a variety of insurers. The District provides medical coverage under a self-insured plan. The District maintains a stop-loss insurance policy with a reinsurer for claims exceeding \$175,000 individually for the plan year. A third-party administrator is utilized to process claims and accumulate various claims data.

The District expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulting from services provided prior to the fiscal year end not to exceed the annual aggregate expense. A reserve for the incurred-but-not-reported (IBNR) claims amounting to \$902,750 and \$933,800 is recorded as a current liability at June 30, 2025 and 2024, respectively. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of health claims accrued liabilities during the past two years are as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2025	\$ 933,800	\$ 6,467,255	\$ (6,498,305)	\$ 902,750
2024	1,092,000	4,674,848	(4,833,048)	933,800

Note 9 - Deferred Compensation Plan

All employees of the District who work at least 1,000 hours per year are eligible to participate in a deferred compensation plan (the Plan) sponsored by the District under Section 403(b) of the Internal Revenue Code. This plan provides for the deferral of a portion of the employee’s compensation until retirement, termination, or certain other covered events. At its discretion, the Board of Directors may elect to have the District match a portion of the voluntary contributions made during a plan year. The Plan operates on a calendar year basis. The Board of Directors authorized a 30% employer match for 2025, 2024, and 2023 of voluntary employee contributions. Total employer matching expense was \$1,234,103, \$973,400, and \$1,071,160, for the years ended June 30, 2025, 2024, and 2023, respectively.

The District also has a deferred compensation plan under Section 457(b) of the Internal Revenue Code, which allows for employee only contributions on a tax-deferred basis.

Note 10 - Concentration of Credit Risk

The District grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2025 and 2024, was as follows:

	2025	2024
Medicare	23%	17%
Medi-Cal	15%	16%
Commercial insurance	44%	47%
Other third-party payors and patients	18%	20%
	100%	100%

Note 11 - Leases

The District entered into lease agreements for certain building and equipment for various lengths of time, beginning in October 2018. The leases terminate at various dates through June 2028.

The District used a discount rate of 5.0% to value the lease liabilities based on the District’s incremental borrowing rate.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Right to use leased assets activity for the year ended June 30, 2025, are as follows:

	Balance, June 30, 2024	Additions	Deletions	Balance, June 30, 2025
Right to use leased assets being amortized				
Buildings and improvements	\$ 572,538	\$ -	\$ -	\$ 572,538
Equipment	433,597	128,958	-	562,555
Total right to use leased assets being amortized	1,006,135	128,958	-	1,135,093
Accumulated amortization				
Buildings and improvements	(166,619)	(149,197)	-	(315,816)
Equipment	(476,595)	(133,707)	-	(610,302)
Total accumulated amortization	(643,214)	(282,903)	-	(926,117)
Net right to use leased assets	\$ 362,921	\$ (153,945)	\$ -	\$ 208,976

Right to use leased assets activity for the year ended June 30, 2024, are as follows:

	Balance, June 30, 2023	Additions	Deletions	Balance, June 30, 2024
Right to use leased assets being amortized				
Buildings and improvements	\$ 572,538	\$ -	\$ -	\$ 572,538
Equipment	637,878	-	(204,281)	433,597
Total right to use leased assets being amortized	1,210,416	-	(204,281)	1,006,135
Accumulated amortization				
Buildings and improvements	(237,193)	(133,707)	204,281	(166,619)
Equipment	(387,457)	(89,138)	-	(476,595)
Total accumulated amortization	(624,650)	(222,845)	204,281	(643,214)
Net right to use leased assets	\$ 585,766	\$ (222,845)	\$ -	\$ 362,921

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Changes in lease liabilities during the years ended June 30, 2025 and 2024 are as follows:

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Amounts Due Within One Year
Leases	\$ 376,942	\$ 128,958	\$ (289,799)	\$ 216,101	\$ 106,447
	Balance, June 30, 2023	Additions	Reductions	Balance, June 30, 2024	Amounts Due Within One Year
Leases	\$ 607,872	\$ -	\$ (230,930)	\$ 376,942	\$ 202,970

Remaining principal and interest payments on leases are as follows:

Years Ending June 30,	Principal	Interest
2026	\$ 106,447	\$ 7,844
2027	55,795	4,205
2028	53,859	1,351
Total	\$ 216,101	\$ 13,400

Note 12 - Subscription-Based Information Technology Arrangements (SBITA)

The District entered into SBITA contracts for the use of software and other technology arrangements. As of June 30, 2025 and 2024, the value of the subscription liability was \$2,529,731 and \$3,822,793, respectively. The District is required to make principal and interest payments through June 2030.

The subscription liability was valued using a discount rate of 5.0% based on the District's incremental borrowing rate.

The total amount of right to use subscription assets, and the related accumulated amortization on right to use subscription assets was \$7,249,476 and \$4,722,143 as of June 30, 2025, respectively. The total amount of right to use subscription assets, and the related accumulated amortization on right to use subscription assets was \$7,371,641 and \$3,623,016 as of June 30, 2024, respectively.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Right to use subscription IT activity for the years ended June 30, 2025 and 2024, are as follows:

	Balance, June 30, 2024	Additions	Deletions	Balance, June 30, 2025
Right to use subscription IT assets being amortized	\$ 7,371,641	\$ 273,952	\$ (396,117)	\$ 7,249,476
Less accumulated amortization	<u>(3,623,016)</u>	<u>(1,495,244)</u>	<u>396,117</u>	<u>(4,722,143)</u>
Total right to use leased assets being amortized	<u>\$ 3,748,625</u>	<u>\$ (1,221,292)</u>	<u>\$ -</u>	<u>\$ 2,527,333</u>
	Balance, June 30, 2023	Additions	Deletions	Balance, June 30, 2024
Right to use subscription IT assets being amortized	\$ 7,448,666	\$ 334,096	\$ (411,121)	\$ 7,371,641
Less accumulated amortization	<u>(2,573,377)</u>	<u>(1,460,760)</u>	<u>411,121</u>	<u>(3,623,016)</u>
Total right to use leased assets being amortized	<u>\$ 4,875,289</u>	<u>\$ (1,126,664)</u>	<u>\$ -</u>	<u>\$ 3,748,625</u>

A summary of the changes in subscription IT liabilities during the years ended June 30, 2025 and 2024, are as follows:

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Amounts Due Within One Year
Subscription IT liabilities	<u>\$ 3,822,793</u>	<u>\$ 273,952</u>	<u>\$ (1,567,014)</u>	<u>\$ 2,529,731</u>	<u>\$ 1,237,260</u>
	Balance, June 30, 2023	Additions	Reductions	Balance, June 30, 2024	Amounts Due Within One Year
Subscription IT liabilities	<u>\$ 4,905,243</u>	<u>\$ 334,096</u>	<u>\$ (1,416,546)</u>	<u>\$ 3,822,793</u>	<u>\$ 1,311,130</u>

Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30,	Principal	Interest
2026	\$ 1,237,260	\$ 107,144
2027	1,222,093	43,844
2028	62,401	3,503
2029	3,889	311
2030	<u>4,088</u>	<u>112</u>
Total	<u>\$ 2,529,731</u>	<u>\$ 154,914</u>

Note 13 - Contingencies**Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from some of these matters. Other coverage is provided through participation in joint powers agreements. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The District has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$10 million per claim and an annual aggregate limit of \$20 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs or operating activities, some of which could be material. In the opinion of management, the ultimate settlement of litigation, claims, and disputes will not be material to the financial position, operations, or cash flows of the District.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Department of Health and Human Services (HHS) and the Medicare and Medi-Cal programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal Government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Paycheck Protection Program (PPP) Loan Review

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of \$2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance.

The District applied for and received loan forgiveness from the SBA on its PPP loan of \$5,265,405 during the year ended June 30, 2022. In accordance with PPP loan requirements, the District is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The District is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness income could be reversed based on this review.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. During the year ended June 30, 2024, the District applied for governmental assistance from the employee retention credit program. During the year ended June 30, 2025, the District received \$3,463,810, including \$739,020 of interest, which is recorded as unearned revenue on the statements of net position based on the uncertainty surrounding future IRS examination through the statute of limitation.

The District's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Note 14 - Condensed Combining Information

The following summarizes combining information for the Hospital and Auxiliary. The Auxiliary has been presented as a blended component unit, as of and for the years ended June 30, 2025 and 2024.

Statement of net position as of June 30, 2025:

	Hospital	Auxiliary	Total
Assets			
Current assets	\$ 128,657,527	\$ 275,178	\$ 128,932,705
Noncurrent cash	15,629,787	-	15,629,787
Long-term investments	42,817,378	-	42,817,378
Capital assets	72,930,024	1,500,503	74,430,527
Investment in joint venture	3,230,000	-	3,230,000
	<u>\$ 263,264,716</u>	<u>\$ 1,775,681</u>	<u>\$ 265,040,397</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities	\$ 20,801,944	\$ -	\$ 20,801,944
Long-term liabilities	25,281,408	-	25,281,408
	<u>46,083,352</u>	<u>-</u>	<u>46,083,352</u>
Deferred inflows of resources	169,528	-	169,528
	<u>169,528</u>	<u>-</u>	<u>169,528</u>
Net Position			
Net investment in capital assets	42,884,861	-	42,884,861
Restricted			
Restricted for specific operating activities	580	-	580
Restricted for debt service	18,983,493	-	18,983,493
Unrestricted	155,142,902	1,775,681	156,918,583
	<u>217,011,836</u>	<u>1,775,681</u>	<u>218,787,517</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 263,264,716</u>	<u>\$ 1,775,681</u>	<u>\$ 265,040,397</u>

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Operating results and changes in net position for the year ended June 30, 2025:

	Hospital	Auxiliary	Total
Operating Revenues			
Net patient service revenue	\$ 111,767,744	\$ -	\$ 111,767,744
Other revenue	5,637,702	912,906	6,550,608
Total operating revenues	117,405,446	912,906	118,318,352
Operating Expenses			
Depreciation and amortization	5,318,743	44,994	5,363,737
Other	100,523,224	851,194	101,374,418
Total operating expenses	105,841,967	896,188	106,738,155
Operating Income	11,563,479	16,718	11,580,197
Net Nonoperating Revenues	9,869,966	-	9,869,966
Revenues in Excess of Expenses Before Capital Contributions and Tax Revenues for Debt Principal Payments	21,433,445	16,718	21,450,163
Contributions for Capital Assets	1,110,235	-	1,110,235
Tax Revenues for Debt Principal Payments	2,225,000	-	2,225,000
Change in Net Position	24,768,680	16,718	24,785,398
Net Position, Beginning of Year	192,243,156	1,758,963	194,002,119
Net Position, End of Year	\$ 217,011,836	\$ 1,775,681	\$ 218,787,517

Cash flows for the year ended June 30, 2025:

	Hospital	Auxiliary	Total
Net Cash from Operating Activities	\$ 16,987,481	\$ 61,712	\$ 17,049,193
Net Cash from Noncapital Financing Activities	8,133,343	-	8,133,343
Net Cash used for Capital And Related Financing Activities	(22,787,175)	-	(22,787,175)
Net Cash from Investing Activities	34,416,383	-	34,416,383
Net Change in Cash and Cash Equivalents	36,750,032	61,712	36,811,744
Cash and Cash Equivalents, Beginning of Year	74,442,573	193,466	74,636,039
Cash and Cash Equivalents, End of Year	\$ 111,192,605	\$ 255,178	\$ 111,447,783

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Statement of net position as of June 30, 2024:

	Hospital	Auxiliary	Total
Assets			
Current assets	\$ 114,730,954	\$ 213,466	\$ 114,944,420
Noncurrent cash	14,472,956	-	14,472,956
Long-term investments	47,504,600	-	47,504,600
Capital assets	49,838,539	1,545,497	51,384,036
Investment in joint venture	3,230,000	-	3,230,000
Total assets	<u>\$ 229,777,049</u>	<u>\$ 1,758,963</u>	<u>\$ 231,536,012</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities	\$ 13,723,634	\$ -	\$ 13,723,634
Long-term liabilities	23,613,960	-	23,613,960
Total liabilities	37,337,594	-	37,337,594
Deferred inflows of resources	196,299	-	196,299
Net position			
Net investment in capital assets	23,731,895	-	23,731,895
Restricted			
Restricted for specific operating activities	580	-	580
Restricted for debt service	17,174,085	-	17,174,085
Unrestricted	151,336,596	1,758,963	153,095,559
Total net position	192,243,156	1,758,963	194,002,119
Total liabilities, deferred inflows of resources, and net position	<u>\$ 229,777,049</u>	<u>\$ 1,758,963</u>	<u>\$ 231,536,012</u>

Southern Mono Healthcare District d/b/a Mammoth Hospital

Notes to Financial Statements

June 30, 2025 and 2024

Operating results and changes in net position for the year ended June 30, 2024:

	Hospital	Auxiliary	Total
Operating Revenues			
Net patient service revenue	\$ 106,023,181	\$ -	\$ 106,023,181
Other revenue	4,455,686	1,008,698	5,464,384
	110,478,867	1,008,698	111,487,565
Operating Expenses			
Depreciation and amortization	5,159,969	48,743	5,208,712
Other	93,652,967	1,144,324	94,797,291
	98,812,936	1,193,067	100,006,003
Operating Income	11,665,931	(184,369)	11,481,562
Net Nonoperating Revenues	8,424,461	-	8,424,461
Revenues in Excess of (Less Than) Expenses Before Capital Contributions and Tax Revenues for Debt Principal Payments	20,090,392	(184,369)	19,906,023
Contributions for Capital Assets	382,375	-	382,375
Tax Revenues for Debt Principal Payments	2,263,387	-	2,263,387
Change in Net Position	22,736,154	(184,369)	22,551,785
Net Position, Beginning of Year	169,507,002	1,943,332	171,450,334
Net Position, End of Year	\$ 192,243,156	\$ 1,758,963	\$ 194,002,119

Cash flows for the year ended June 30, 2024:

	Hospital	Auxiliary	Total
Net Cash from (used for) Operating Activities	\$ 12,775,853	\$ (135,626)	\$ 12,640,227
Net Cash from Noncapital Financing Activities	3,131,320	-	3,131,320
Net Cash used for Capital And Related Financing Activities	(8,506,372)	-	(8,506,372)
Net Cash used for Investing Activities	(8,962,925)	-	(8,962,925)
Net Change in Cash and Cash Equivalents	(1,562,124)	(135,626)	(1,697,750)
Cash and Cash Equivalents, Beginning of Year	76,004,697	329,092	76,333,789
Cash and Cash Equivalents, End of Year	\$ 74,442,573	\$ 193,466	\$ 74,636,039



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

To the Board of Directors
Southern Mono Healthcare District
d/b/a Mammoth Hospital
Mammoth Lakes, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Southern Mono Healthcare District d/b/a Mammoth Hospital (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Rancho Cucamonga, California
September 23, 2025