

Washington State Auditor's Office
Accountability Audit Report

King County Public Hospital District
No. 4
(Snoqualmie Valley Hospital)

Report Date
September 24, 2013

Report No. 1010623

Issue Date
October 7, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

October 7, 2013

Board of Commissioners
Snoqualmie Valley Hospital
Snoqualmie, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Snoqualmie Valley Hospital's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
September 24, 2013**

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Audit Summary

Snoqualmie Valley Hospital King County September 24, 2013

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Snoqualmie Valley Hospital from January 1, 2011 through December 31, 2012.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Financial condition
- Limitation of indebtedness
- Hospital foundation
- Sale of land
- Contracts and agreements
- Sponsorships

RESULTS

In the areas we examined, the District's internal controls were adequate to safeguard public assets. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

**Snoqualmie Valley Hospital
King County
September 24, 2013**

FINANCIAL

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from the District.

Description of the District

Snoqualmie Valley Hospital King County September 24, 2013

ABOUT THE DISTRICT

King County Public Hospital District No. 4, doing business as Snoqualmie Valley Hospital, operates a network of clinics serving Fall City, North Bend, Carnation, Preston, Snoqualmie, Snoqualmie Pass and parts of unincorporated east King County. An elected, five-member Board of Commissioners governs the District. Commissioners serve staggered, six-year terms. A Board-appointed Chief Executive Officer oversees the District's daily operations as well as its approximately 210 employees. For fiscal year 2011 and 2012, the District had operating revenue of \$21.5 million and \$22.5 million, respectively.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners:

Karyn Denton (July 2011-January 2012)
Kevin Hauglie
Dick Jones
Gene Pollard (beginning January 2012)
Fritz Ribary (through May 2011)
David Speikers
Joan Young

APPOINTED OFFICIALS

Chief Executive Officer

Rodger McCollum

DISTRICT CONTACT INFORMATION

Address: Snoqualmie Valley Hospital
9575 Ethan Wade Way S.E.
Snoqualmie, WA 98065

Phone: (425) 831-3429

Website: www.snoqualmiehospital.org

AUDIT HISTORY

We audit the District on an annual basis, with the exception of this audit which covered two years. During the 2005 through 2007 audits, we reported two audit findings regarding the District's financial condition and not properly accounting for bond activity. We also reported a finding over financial condition in the 2010 audit. This finding has been resolved.

Status of Prior Audit Findings

Snoqualmie Valley Hospital King County September 24, 2013

The status of findings contained in the prior years' audit reports of the Snoqualmie Valley Hospital is provided below:

1. The District's financial position places it at risk of not meeting its financial obligations or providing services at current levels.

Report No. 1006775, dated November 28, 2011

Background

In 2007 the District purchased land on which to build a new hospital for \$12.5 million; however, King County Council denied the District's request to rezone the property to be used for hospital purposes. The District was unable to rescind the purchase agreement and owed the seller \$6.7 million. Of that amount, the District still owed \$6.3 million at the time of our audit. Further, in 2009 the District purchased land in a different location for approximately \$5 million, after selling its current hospital and surrounding campus in July 2008.

In order to refund prior year bonds, cover operating costs, purchase land and pay predevelopment costs for construction of the new hospital, the District has increased its non-voted long-term debt over the last five years. It issued Long-Term General Obligation bonds of \$15.3 million in September 2011, increasing its long-term debt to \$47,474,333. The District's statutory limitation for non-voted debt is \$47,555,848.

Status

The condition reported during the 2010 audit has been resolved. The District implemented several programs in 2012 that should support long-term profitability in the future. The District also received a large amount of cash in 2012 due to the sale of land to the Snoqualmie tribe. The \$14 million received greatly improved the District's Financial Condition and resulted in a change in net position of \$9,668,500 for 2012. We consider this finding to be resolved.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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