

**Public Hospital District No. 4, King County
Board of Commissioners
Regular Meeting AGENDA**

Thursday, June 11, 2020 - 6:30 pm

Via join.me: join.me/svhjoinme1.snoqualmiehospital.org

To dial by phone: 206.636.0011

Conference ID: 614-546-254#

CALL TO ORDER / ROLL CALL

APPROVAL OF AGENDA

COMMUNICATIONS

Emma Herron, President

Kim Witkop, M.D., Superintendent Report

Skip Houser, General Counsel

PRESENTATION: 2019 Financial Audit – Eric Nicholson / Mathew Stopa, Moss Adams

CONSENT AGENDA

1. Approval of Minutes:
 - a. Affiliation Work Study – May 14, 2020
 - b. Regular Meeting – May 14, 2020
 - c. Work Study – May 27, 2020
2. Physician Credentialing

COMMITTEE REPORTS – Action Requested as noted

1. Finance Committee
 - a. Approval of warrants, payroll and payroll taxes – April 2020 – **Action**
2. Medical Committee
3. Facilities Committee

OLD BUSINESS – Introduction and Discussion - None

NEW BUSINESS – Introduction and Discussion

1. Bylaws Committee Retreat Discussion

PUBLIC COMMENT – (Please limit comments to 3 minutes)

ACTION ITEMS – VOTE - None

GOOD OF THE ORDER/COMMISSIONER COMMENT (Limited to three minutes)

NEXT SCHEDULED MEETINGS: Locations TBD

Work / Study: No June Meeting

Affiliation Work / Study – Thursday, July 9, 2020, 4:30-6:00 pm

Monthly Business Meeting – Thursday, July 9, 2020, 6:30 pm

ADJOURNMENT



REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

**PUBLIC HOSPITAL DISTRICT NO. 4,
KING COUNTY, WASHINGTON**

December 31, 2019 and 2018



MOSSADAMS

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Report of Independent Auditors

To the Board of Commissioners
Public Hospital District No. 4,
King County, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Public Hospital District No. 4, King County, Washington (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Hospital District No. 4, King County, Washington, as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 11 to the financial statements, subsequent to year-end, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. In March 2020, the District was mandated to delay elective procedures by the State of Washington. In addition, as a result of the "stay-at-home" order, the District facilities have heavily reduced or are not currently performing other non-essential services. The total financial impact cannot be reasonably estimated at this time but is expected to have a negative impact on the District's financial performance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Everett, Washington
May 20, 2020

Public Hospital District No. 4, King County, Washington

Management's Discussion and Analysis

Introduction

Our discussion and analysis provides an overview of the financial position and activities of Public Hospital District No. 4, King County, Washington, doing business as Snoqualmie Valley Hospital and Hospital District No. 4 Clinics (the District). It should be read in conjunction with the financial statements and accompanying notes that follow.

The District completed its fourth year in its new facility in 2019 after relocating in May 2015.

The District implemented programs in late 2018 designed to improve our long-term financial results. These programs below contributed to the District's Net Position improvement in 2019.

- **Expansion of the District's Federal 340B Drug Pricing Program to include Kroger Pharmacies.** Kroger Pharmacies addition was finalized in 2019. Kroger was budgeted to be included in the program in 2018, but there was an internal hold on new participants in 2018.
 - ♦ The proceeds from the 340B program are used to offset the cost of charity care the District provides to patients.
- **Establishment of Rural Health Clinic.** The Rural Health Clinic services began in the fourth quarter of 2018. The full year impact on revenue was a positive increase of \$190,000 over budgeted projections.
- **Inpatient/Outpatient Therapy Service Increases.** Therapy visits across all modalities were up significantly from 2018 volumes. Increased revenues from Therapy Services contributed \$400,000 to operational revenue.

The District implemented three new programs in 2019 designed to improve our long-term financial results. The District anticipates overall financial improvement from these programs in fiscal years 2020 and 2021.

- **Expansion of Lab Services.** The District's partnership with Sound Medical Labs began in the third quarter of 2019. The additional financial benefit of this program being in effect for the entire year of 2020 is estimated at \$1,200,000.
- **Addition of Sleep Lab Services.** The District initiated sleep study and sleep clinic services in the third quarter of 2019. The additional financial benefit of this program being in effect for the entire year of 2020 is estimated at \$200,000.
- **SVH-Overlake Letter of Intent.** In March 2019, the District entered into a letter of intent with Overlake Medical Center for Overlake's lease and operation of the District's Snoqualmie Valley Hospital (The Hospital), Snoqualmie Valley Hospital Clinic, and the Snoqualmie Ridge Medical Clinic. The District is currently in active negotiations with Overlake Medical Center regarding this agreement. We anticipate these negotiations will take the remainder of 2020 to complete. The specific terms of the proposed agreement have not been finalized at this time (May 2020).

Public Hospital District No. 4, King County, Washington

Management's Discussion and Analysis (continued)

Operational Highlights (continued)

Patient Volumes

Patient volumes compared to budget for 2019 are shown below:

Business Line	Patient Volumes Budget January Through December 2019	Patient Volumes Actual January Through December 2019	Percentage Change
Inpatient days	8,306	8,281	-0.3%
Emergency room visits	3,936	3,960	0.6%
Outpatient service visits	960	1,088	13.3%
Rehab inpatient procedures	21,845	22,956	5.1%
Rehab outpatient procedures	7,467	10,206	36.7%
Laboratory tests	40,303	53,952	33.9%
Imaging procedures	4,264	4,678	9.7%
Clinic visits	17,783	19,458	9.4%

Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	2017
Net operating revenue	\$ 37,473,898	\$ 34,241,961	\$ 34,155,766
Nonoperating income	3,565,298	3,404,436	3,251,462
	<u>41,039,196</u>	<u>37,646,397</u>	<u>37,407,228</u>
Total operating expenses	34,998,332	32,619,578	31,867,738
Nonoperating expense	5,680,269	5,678,146	5,816,449
	<u>40,678,601</u>	<u>38,297,724</u>	<u>37,684,187</u>
Change in net position	360,595	(651,327)	(276,959)
Net position, beginning of year	<u>(20,372,652)</u>	<u>(19,721,325)</u>	<u>(19,444,366)</u>
Net position, end of year	<u><u>\$ (20,012,057)</u></u>	<u><u>\$ (20,372,652)</u></u>	<u><u>\$ (19,721,325)</u></u>

Public Hospital District No. 4, King County, Washington Management's Discussion and Analysis (continued)

Comments on Statement of Revenues, Expenses and Changes in Net Position

Operating Revenue

Operating revenue increased by 9.4% from 2018 to 2019. The increase was due to an increase in tax revenue used for operations.

Operating Expenses

Operating expenses increased by 7.3% in 2019 compared to 2018. The increase was due to:

- Wage increases of 5.1%—the result of salary increases for District staff in 2019.
- Benefit cost increases of 15.3%—the result of an increase in the cost of health insurance the District provides to employees.
- Professional fees increase of 13.1%—the result of increased agency services for med surge coverage, and implementation of Sleep Lab Services.
- Supplies increases of 12.7%—the result of the increase associated with sleep lab and reference lab service start-up.
- Purchased services are above prior year due to addition of Sleep Lab, and Reference lab and outsourcing of self-pay early out collections.

Change in Net Position

Change in net position increase from 2018 was due to the increase in outpatient revenues. As mentioned above, outpatient revenue increased in 2019 due to Rural Health Clinic visits, increased therapy services volumes, expanded laboratory services, and addition of sleep clinic.

The District is put a number of programs in place in 2019 that are expected to increase revenue in 2020. These include:

- Full utilization of reference lab services.
- Full utilization of Sleep Lab services

Public Hospital District No. 4, King County, Washington

Management's Discussion and Analysis (continued)

Balance Sheet

	2019	2018	2017
ASSETS			
Current assets	\$ 16,578,299	\$ 15,754,632	\$ 15,938,515
Capital assets, net	51,807,045	55,011,500	58,196,812
Other noncurrent assets	6,882,063	6,339,765	5,780,410
Total assets	75,267,407	77,105,897	79,915,737
DEFERRED OUTFLOWS OF RESOURCES	635,711	675,855	715,999
Total assets and deferred outflows of resources	\$ 75,903,118	\$ 77,781,752	\$ 80,631,736
LIABILITIES			
Current liabilities	\$ 5,575,618	\$ 6,293,860	\$ 7,116,530
Noncurrent liabilities	90,339,557	91,860,544	93,236,531
Total liabilities	95,915,175	98,154,404	100,353,061
NET POSITION			
Net investment in capital assets	2,719,792	5,312,297	7,860,200
Restricted expendable for debt service	4,207,928	3,461,498	2,762,149
Unrestricted	(26,939,777)	(29,146,447)	(30,343,674)
Total net position	(20,012,057)	(20,372,652)	(19,721,325)
Total liabilities and net position	\$ 75,903,118	\$ 77,781,752	\$ 80,631,736

Commentary on Balance Sheet

Capital Assets

Capital assets decreased due to increased accumulated depreciation. The District did not make any significant capital asset purchases in 2019.

Current Liabilities

Current Liabilities decreased due to a lower Medicare cost report settlement in 2019 and lower current amounts of Long-Term Debt.

Long-Term Debt

Long-term debt decreased due to the payment of bond principal as required for the District's revenue and LTGO (tax-backed) bond debt.

Net Investment in Capital Assets

Net investment in capital assets decreased in 2019 due to accumulated depreciation being higher than the purchase of capital assets in 2019.

Public Hospital District No. 4, King County, Washington

Management's Discussion and Analysis (continued)

Revenue Bond Covenant Compliance

The schedule of revenue bond covenant compliance is shown below. The District is in compliance with all its revenue bond covenants.

SCHEDULE OF BOND COVENANT COMPLIANCE

Coverage Requirement	DECEMBER 2019 Amount
Change in net position	\$ 360,595
Add	
Interest expense	5,571,112
Depreciation and amortization expense	3,298,315
	8,869,427
Less	
Taxation for bond principal and interest	(3,294,038)
Available for debt service	\$ 5,935,984
Maximum annual debt service	\$ 3,675,188
Actual Coverage Ratio	1.62
Coverage Requirement	1.20
Available for debt service required by covenant	\$ 4,410,226
Reserve Requirement For the Bonds	
Max annual debt service on all bonds	\$ 3,675,188
125% of average annual debt service	4,492,886
10% of proceeds on all bonds	5,007,500
Reserve Requirement	\$ 3,675,188
Hospital reserve fund	3,675,188
Liquidity Requirement for the Bonds	
Cash and cash equivalents	\$ 6,520,705
Total operating expenses	\$ 34,998,332
Less depreciation and amortization expense	3,298,315
	\$ 31,700,017
Days cash on hand	75.08
Liquidity Requirement for Bond Covenant	60.00
Cash and cash equivalents required for bond covenants	\$ 5,210,962

Public Hospital District No. 4, King County, Washington Management's Discussion and Analysis (continued)

Contacting the District's Financial Management

This financial report is designed to provide the District's patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and show its accountability for the money it receives. If you have questions about this report or need additional information, contact the District's finance office at Snoqualmie Valley Hospital, 9801 Frontier Avenue SE, Snoqualmie, WA 98065.

Public Hospital District No. 4, King County, Washington

Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,520,705	\$ 7,533,526
Assets limited as to use required for current liabilities	2,048,551	1,905,108
Patient accounts receivable, net of allowances for doubtful accounts of \$188,769 in 2019 and \$538,000 in 2018	7,313,370	5,904,143
Other receivables	237,796	277,977
Estimated third-party payor settlements	264,571	-
Inventory	193,306	133,878
Total current assets	16,578,299	15,754,632
ASSETS LIMITED AS TO USE, net of current portion	6,882,063	6,339,765
CAPITAL ASSETS		
Land	14,631,178	14,631,178
Depreciable capital assets, net of accumulated depreciation and amortization	37,175,867	40,380,322
Total capital assets, net of accumulated depreciation and amortization	51,807,045	55,011,500
Total assets	75,267,407	77,105,897
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	635,711	675,855
Total assets and deferred outflows of resources	\$ 75,903,118	\$ 77,781,752

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 1,313,864	\$ 813,446
Accrued compensation and related liabilities	2,343,514	1,959,335
Accrued interest payable	323,240	199,628
Estimated third-party payor settlements	-	1,876,451
Current maturities of long-term debt	1,595,000	1,445,000
Total current liabilities	5,575,618	6,293,860
LONG-TERM DEBT, net of current maturities	90,339,557	91,860,544
Total liabilities	95,915,175	98,154,404
NET POSITION		
Net investment in capital assets	2,719,792	5,312,297
Restricted expendable for debt service	4,207,928	3,461,498
Unrestricted	(26,939,777)	(29,146,447)
Total net position	(20,012,057)	(20,372,652)
	\$ 75,903,118	\$ 77,781,752

Public Hospital District No. 4, King County, Washington

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2019	2018
OPERATING REVENUE		
Net patient service revenue (net of provision for bad debts of \$555,908 in 2019 and \$674,787 in 2018)	\$ 36,454,490	\$ 33,346,254
Taxation for operations	584,379	566,142
Other	435,029	329,565
Total operating revenue	37,473,898	34,241,961
OPERATING EXPENSES		
Salaries and wages	18,000,879	17,120,676
Employee benefits	3,951,303	3,427,428
Professional fees	1,155,073	1,020,873
Supplies	2,773,565	2,460,918
Repairs and maintenance	123,170	147,258
Utilities	437,930	451,448
Purchased services	2,391,088	2,073,954
Insurance	124,768	142,969
Leases and rentals	1,960,590	1,933,094
Depreciation and amortization	3,298,315	3,287,635
Other	781,651	553,325
Total operating expenses	34,998,332	32,619,578
OPERATING INCOME	2,475,566	1,622,383
NONOPERATING INCOME (EXPENSE)		
Investment income	176,573	114,758
Taxation for bond principal and interest	3,294,038	3,219,463
Interest expense	(5,571,112)	(5,568,989)
Issuance and financing costs	(109,157)	(109,157)
Other, net	94,687	70,215
Nonoperating expense, net	(2,114,971)	(2,273,710)
CHANGE IN NET POSITION	360,595	(651,327)
NET POSITION, beginning of year	(20,372,652)	(19,721,325)
NET POSITION, end of year	\$ (20,012,057)	\$ (20,372,652)

Public Hospital District No. 4, King County, Washington
Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

	Years Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	\$ 32,904,241	\$ 32,683,575
Cash paid to employees	(21,527,822)	(20,455,721)
Cash paid to suppliers	(9,306,845)	(8,916,913)
Other cash receipts	435,029	329,565
Net cash from operating activities	<u>2,504,603</u>	<u>3,640,506</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash from tax levies considered a noncapital financing activity	584,379	566,142
Other	94,687	70,215
Net cash from noncapital financing activities	<u>679,066</u>	<u>636,357</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(93,860)	(102,323)
Cash from tax levies for general obligation bonds	3,305,995	3,251,845
Principal payments on long-term debt	(1,440,000)	(1,300,000)
Interest paid on long-term debt	(5,447,500)	(5,629,632)
Net cash used in capital and related financing activities	<u>(3,675,365)</u>	<u>(3,780,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>176,573</u>	<u>114,758</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(315,123)</u>	<u>611,511</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>15,695,464</u>	<u>15,083,953</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 15,380,341</u></u>	<u><u>\$ 15,695,464</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 6,520,705	\$ 7,533,526
Cash and cash equivalents in assets whose use is limited	8,859,636	8,161,938
	<u><u>\$ 15,380,341</u></u>	<u><u>\$ 15,695,464</u></u>

Public Hospital District No. 4, King County, Washington

Statements of Cash Flows (continued)

Increase (Decrease) in Cash and Cash Equivalents

	Years Ended December 31,	
	2019	2018
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 2,475,566	\$ 1,622,383
Adjustments to reconcile operating income to net		
cash from operating activities		
Revenue from tax levies considered noncapital		
financing activity	(584,379)	(566,142)
Depreciation and amortization	3,298,315	3,287,635
Provision for bad debts	555,908	674,787
Change in assets and liabilities		
Patient accounts receivable	(1,965,135)	(562,137)
Other receivables	40,181	57,558
Inventory	(59,428)	33,449
Estimated third-party payor settlements	(2,141,022)	(775,329)
Accounts payable	500,418	(166,523)
Accrued compensation and related liabilities	384,179	34,825
Net cash from operating activities	<u>\$ 2,504,603</u>	<u>\$ 3,640,506</u>

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 1 – Organization

Public Hospital District No. 4, King County, Washington, doing business as Snoqualmie Valley Hospital and as Hospital District No. 4 Clinics (the District), is organized as a municipal corporation under the laws of the state of Washington and operates a licensed 28-bed acute care hospital and primary and specialty care clinics in Eastern King County, Washington. As organized, the District is exempt from payment of federal income tax. The Board of Commissioners consists of five elected community members. The District is not considered to be a component unit of King County.

Note 2 – Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities and disclosures 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.

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

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity date of three months or less, excluding amounts limited as to use by board designation, indenture agreements, or donors.

Assets limited as to use – Periodically, the Board of Commissioners sets aside cash resources for the funding of future capital improvements. In addition, certain funds are restricted by bond indentures to be used solely for debt service or for the funding of future capital projects. These funds are invested in the King County Investment Pool, which is in accordance with state guidelines.

All District investments are carried at market value. Investment income is reported as nonoperating income and expense.

Capital assets – Land, buildings, and equipment acquisitions are recorded at cost. Improvements and replacements of land, buildings, and equipment are capitalized. The District's capitalization threshold is \$5,000 per item and a useful life of at least three years. Maintenance and repairs are expensed. The cost of land, buildings, and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded.

Depreciation is recorded over the estimated useful life of each class of depreciable asset using the American Hospital Association guidelines and is computed using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The estimated useful lives used by the District are as follows:

Buildings and improvements	2 – 40 years
Equipment	3 – 20 years

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Interest on borrowed funds less any interest earned on temporarily invested funds is capitalized on construction projects as a cost of the related project from the date of borrowing until the construction period ends and the related asset is placed in service. Capitalized interest is depreciated over the estimated useful life of the related asset.

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 illness; natural disasters; medical malpractice; and employee accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the four preceding years.

Net position – Net position of the District is classified into three components. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related debt that is attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position represents noncapital assets that must be used for a specific purpose. The unrestricted component of net position is the remaining net amount of the assets, deferred outflows of resources, and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Operating revenues and expenses – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenue, result from exchange transactions associated with providing health care services—the District's primary business.

Nonexchange revenues, including taxes, are reported as other operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Tax levy income and debt service related to general obligation and revenue bonds and peripheral or incidental transactions, grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating income or expense.

Net patient service revenue – Patient service revenue is recorded at established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Preliminary settlements under reimbursement agreements with Medicare and Medicaid are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Reimbursements received from certain third-party payors are subject to audit and retroactive adjustment. Provision for possible adjustment as a result of audits is recorded in the financial statements. When reimbursement settlements are received, or when information becomes available with respect to reimbursement changes, any variations from amounts previously accrued are accounted for in the period in which the settlements are received or the change in information becomes available.

Charity care – The District provides care to indigent patients who meet certain criteria under its charity care policies. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Forgone revenue for charity care provided during 2019 and 2018 measured by the District's standard charges was \$884,873 and \$592,414, respectively.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Federal income taxes – The District, as a political subdivision of the state of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net position date but before financial statements are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements are available to be issued.

The District has evaluated subsequent events through May 20, 2020, which is the date the financial statements are issued.

Note 3 – 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 – The District converted to critical access hospital status under the Medicare program on December 1, 2005, under which inpatient, swing-bed, and outpatient services and hospital-based clinics are reimbursed on a cost basis. Inpatient acute, swing-bed, and outpatient care services rendered to Medicare program beneficiaries are paid on an interim basis at a percentage of billed charges. These interim payments will be subject to final settlement upon submission and audit of the cost report to the Medicare fiscal intermediary. 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.

Net patient service revenue under the Medicare program totaled approximately \$25,554,000 and \$24,623,296 for 2019 and 2018, respectively. Net unsecured patient accounts receivable due from Medicare at December 31 was \$4,891,000 and \$4,198,000 in 2019 and 2018, respectively.

Medicaid – As a critical access hospital, the District is reimbursed for inpatient and outpatient services rendered to Medicaid program beneficiaries on a cost reimbursement methodology. Under this methodology, the District is reimbursed at a tentative rate, with final settlement determined after audits by the Medicaid fiscal intermediary of annual cost reports submitted by the District. Long-term care services are paid on a cost reimbursement basis, which may not exceed allocated costs plus state-mandated cost limits. Net patient service revenue under the Medicaid program totaled approximately \$3,289,000 and \$3,040,000 for 2019 and 2018, respectively. Net unsecured patient accounts receivable due from Medicaid at December 31 were \$492,000 and \$310,000 in 2019 and 2018, respectively.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 3 – Net Patient Service Revenue (continued)

The District's estimates of final settlements to or from Medicare and Medicaid for all years through 2019 have been recorded in the accompanying statements of net position. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the net amounts accrued and subsequent settlements are recorded in operations at the time of settlement. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2017.

Other third-party payors – The District has also entered into various payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations, which provide for payment or reimbursement at amounts different from published rates. Contractual adjustments represent the difference between published rates for services and amounts paid or reimbursed by these third-party payors.

The following are the components of net patient service revenue for the District for the years ended December 31:

	2019	2018
Gross patient service charges	\$ 53,651,129	\$ 48,170,373
Adjustments to patient service charges		
Contractual discounts	15,755,858	13,556,918
Provision for bad debts	555,908	674,787
Charity care	884,873	592,414
	17,196,639	14,824,119
Net patient service revenue	\$ 36,454,490	\$ 33,346,254

Note 4 – Deposits and Investments

The District makes investments in accordance with Washington State law. Eligible investments include obligations secured by the U.S. Treasury, other obligations of the United States or its agencies, certificates of deposit with approved institutions, insured money market funds, commercial paper, registered warrants of local municipalities, the Washington State Local Government Investment Pool, eligible bankers' acceptances, and repurchase agreements (up to 30 days).

As a political subdivision of the state, the District categorizes deposits and investments to give an indication of the risk assumed at year-end. Category 1 includes deposits and investments that are insured, registered, or held by the District's agent in the District's name. Category 2 includes uninsured and unregistered investments that are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits and investments for which the securities are held by the broker or dealer, or its trust department or agent, but not in the District's name.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 4 – Deposits and Investments (continued)

The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. All cash and cash equivalents held by the County Treasurer's Office are insured by the State of Washington Public Deposit Protection Commission, as provided by Chapter 39.58 of the Revised Code of Washington. Qualified public depositories pledge securities with this Commission, which are available to insure public deposits within the state of Washington.

All deposits and investments of the District are categorized as Category 1 and consist of the following at December 31:

	2019	2018
Cash and cash equivalents		
Investment in King County Investment Pool	\$ 6,520,705	\$ 7,533,526
Assets whose use is limited		
Board and other restricted funds		
Investment in King County Investment Pool	419,623	412,708
Taxes receivable	682	682
LTGO Bond Fund		
Investment in King County Investment Pool	4,764,825	4,074,042
Taxes receivable	70,296	82,253
Revenue Bond Fund		
Cash and cash equivalents	3,675,188	3,675,188
	8,930,614	8,244,873
Total deposits and investments	\$ 15,451,319	\$ 15,778,399

The District participates in the King County Investment Pool (KCIP). The King County Finance and Business Operations Division (FBOD) manages and operates the KCIP. Participation by local governments is voluntary. The investment policies of the KCIP are the responsibility of the FBOD, and any proposed changes are reviewed by King County's Executive Finance Committee. The KCIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high-quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The objectives of the FBOD's investment practices for the KCIP, in priority order, will be safety, liquidity, and return on investment. Separate financial statements for the KCIP are available from King County. The KCIP is not subject to risk evaluation.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 4 – Deposits and Investments (continued)

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits the types of securities to those authorized by statute; therefore, credit risk is very limited.

Deposits – All of the District's deposits are either insured or collateralized. The District's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection is provided by the Washington Public Deposit Protection Commission (PDPC).

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District is not exposed to concentration of credit risk, because all deposits and investments are insured or collateralized.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The District is not exposed to interest rate risk.

Note 5 – Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the County Assessor at 100% of the fair market value. A revaluation of all property is required every four years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the District by the County Treasurer. Tax collections for the years ended December 31, 2019 and 2018, were 99.72% and 99.89% of the taxes levied during those respective years.

The District is permitted by law to levy up to \$0.75 per \$1,000 of assessed valuation for general District purposes. The Washington State constitution and Washington State law, RCW 84.55.010, limit the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people.

For 2019 and 2018, the District's regular tax levy was \$0.38 and \$0.40 per \$1,000 on a total assessed valuation of \$10,212,253,149 and \$9,333,926,213, respectively, for a total regular levy of \$3,853,089 and \$3,747,665, respectively. A portion of the tax revenue from the regular levy has been pledged toward payments of the limited tax general obligation (LTGO) bonds.

Public Hospital District No. 4, King County, Washington
Notes to Financial Statements

Note 6 – Capital Assets

Capital asset additions, retirements, and balances for the years ended December 31, 2019 and 2018, were as follows:

	Balance, December 31, 2018	Additions	Retirements	Transfers	Balance, December 31, 2019
NONDEPRECIABLE CAPITAL ASSETS					
Land	\$ 14,631,178	\$ -	\$ -	\$ -	\$ 14,631,178
Total nondepreciable capital assets	14,631,178	-	-	-	14,631,178
DEPRECIABLE CAPITAL ASSETS					
Land improvements	11,955,883	-	-	-	11,955,883
Buildings and improvements	32,029,212	-	-	-	32,029,212
Equipment	12,329,394	93,860	-	-	12,423,254
LESS ACCUMULATED DEPRECIATION					
Buildings and improvements	(9,834,005)	(2,444,329)	-	-	(12,278,334)
Equipment	(6,100,162)	(853,986)	-	-	(6,954,148)
Depreciable capital assets, net	40,380,322	(3,204,455)	-	-	37,175,867
Capital assets, net	\$ 55,011,500	\$ (3,204,455)	\$ -	\$ -	\$ 51,807,045
Balance, December 31, 2017					
	Balance, December 31, 2017	Additions	Retirements	Transfers	Balance, December 31, 2018
NONDEPRECIABLE CAPITAL ASSETS					
Land	\$ 14,631,178	\$ -	\$ -	\$ -	\$ 14,631,178
Construction in progress	255,056	-	-	(255,056)	-
Total nondepreciable capital assets	14,886,234	-	-	(255,056)	14,631,178
DEPRECIABLE CAPITAL ASSETS					
Land improvements	11,955,883	-	-	-	11,955,883
Buildings and improvements	31,774,156	-	-	255,056	32,029,212
Equipment	12,227,071	102,323	-	-	12,329,394
LESS ACCUMULATED DEPRECIATION					
Buildings and improvements	(7,390,111)	(2,443,894)	-	-	(9,834,005)
Equipment	(5,256,421)	(843,741)	-	-	(6,100,162)
Depreciable capital assets, net	43,310,578	(3,185,312)	-	255,056	40,380,322
Capital assets, net	\$ 58,196,812	\$ (3,185,312)	\$ -	\$ -	\$ 55,011,500

Depreciation expense for the years ended December 31, 2019 and 2018, was \$3,298,315 and \$3,287,635, respectively.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 7 – Long-Term Debt and Other Noncurrent Liabilities

Interest rates and maturities of long-term debt at December 31, 2019 and 2018, for the District consisted of the following:

	<u>2019</u>	<u>2018</u>
Limited tax general obligation bonds, series 2011, 6.50% to 7.00%, due semiannually on June 1 and December 1, maturing in 2040, with annual amounts ranging from \$15,000 to \$4,335,000, beginning in 2023.	\$ 15,360,000	\$ 15,360,000
Limited tax general obligation and refunding bonds, series 2015, 4.25% to 5.00%, due semiannually on June 1 and December 1, maturing in 2038, with annual amounts ranging from \$765,000 to \$2,880,000, net of unamortized discount of \$558,777 and \$586,716.	30,479,162	31,111,223
Revenue bonds, series 2015, 5.00% to 6.25%, due semiannually on June 1 and December 1, maturing in 2045, with annual amounts ranging from \$830,000 to \$3,455,000, net of unamortized discount of \$1,109,000 and \$1,150,074.	<u>46,095,395</u>	<u>46,834,321</u>
	91,934,557	93,305,544
Less current portion	<u>(1,595,000)</u>	<u>(1,445,000)</u>
	<u>\$ 90,339,557</u>	<u>\$ 91,860,544</u>

Under the terms of the revenue and refunding bonds, the District has agreed to maintain certain financial ratios and meet certain covenants.

During 2015, the District issued the 2015 limited tax general obligation and refunding bonds to carry out a tax-exempt refunding of the 2005A limited tax general obligation and refunding bonds, as well as the 2009 limited tax general obligation bonds. The refunding resulted in the recognition of an accounting loss of \$857,506, which was deferred and will be amortized over the life of the 2005A and 2009 bonds, which were set to mature in 2025 and 2038, respectively, and is classified as a deferred outflow of resources on the statement of net position. The refunding decreased the District's aggregate debt service payments by \$6,778,000 over the next 23 years and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$4,061,000.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 7 – Long-Term Debt and Other Noncurrent Liabilities (continued)

Changes in the District's long-term liabilities during the years ended December 31, 2019 and 2018, are summarized below:

	Balance, December 31, 2018	Additions	Reductions	Balance, December 31, 2019	Amounts Due Within One Year
Bonds payable					
2015 Revenue bonds	\$ 46,834,321	\$ -	\$ (738,926)	\$ 46,095,395	\$ 830,000
2015 LTGO bonds	31,111,223	-	(632,061)	30,479,162	765,000
2011 LTGO bonds	15,360,000	-	-	15,360,000	-
Total noncurrent liabilities	<u>\$ 93,305,544</u>	<u>\$ -</u>	<u>\$ (1,370,987)</u>	<u>\$ 91,934,557</u>	<u>\$ 1,595,000</u>
	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018	Amounts Due Within One Year
Bonds payable					
2015 Revenue bonds	\$ 47,528,247	\$ -	\$ (693,926)	\$ 46,834,321	\$ 780,000
2015 LTGO bonds	31,648,284	-	(537,061)	31,111,223	665,000
2011 LTGO bonds	15,360,000	-	-	15,360,000	-
Total noncurrent liabilities	<u>\$ 94,536,531</u>	<u>\$ -</u>	<u>\$ (1,230,987)</u>	<u>\$ 93,305,544</u>	<u>\$ 1,445,000</u>

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

	2011 LTGO Bonds		2015 LTGO Bonds		2015 Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ 1,068,738	\$ 765,000	\$ 1,530,375	\$ 830,000	\$ 2,843,500	\$ 1,595,000	\$ 5,442,613
2021	-	1,068,738	860,000	1,495,950	880,000	2,791,625	1,740,000	5,356,313
2022	-	1,068,738	885,000	1,452,950	930,000	2,741,375	1,815,000	5,263,063
2023	15,000	1,068,738	980,000	1,408,813	980,000	2,694,875	1,975,000	5,172,426
2024	130,000	1,067,763	980,000	1,362,250	1,025,000	2,645,875	2,135,000	5,075,888
Amounts due 2025 - 2029	1,130,000	5,156,577	6,470,000	6,047,013	6,010,000	12,352,038	13,610,000	23,555,628
Amounts due 2030 - 2034	2,385,000	4,641,263	9,610,000	4,123,500	7,960,000	10,400,200	19,955,000	19,164,963
Amounts due 2035 - 2039	7,365,000	3,535,000	10,455,000	1,350,750	10,690,000	7,678,400	28,510,000	12,564,150
Amounts due 2040 - 2044	4,335,000	303,450	-	-	14,460,000	3,900,313	18,795,000	4,203,763
Amounts due 2045	-	-	-	-	3,455,000	215,938	3,455,000	215,938
							93,585,000	<u>\$ 86,014,745</u>
Less amount representing unamortized discount							1,650,443	
							<u>\$ 91,934,557</u>	

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 8 – Retirement Plans

Deferred compensation plan – In 2006, the District began offering its employees a deferred compensation plan, the Public Hospital District No. 4, King County, Washington, 457 Plan, created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The District makes no contributions to this plan. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

The plan is administered by CPI Qualified Plan Consultants, Inc., and the District has limited administrative involvement and does not perform the investing function for the plan. The District does not hold the assets of the plan in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the District employees' deferred compensation plan created in accordance with IRC 457 is not reported on the financial statements of the District. Contributions made by employees to the 457 Plan totaled \$177,567 and \$149,317 in 2019 and 2018, respectively.

Defined contribution plan – In 2006, the District also began sponsoring a defined contribution plan in accordance with IRC Section 403(b) covering substantially all qualified employees. Plan provisions and contribution requirements are established by the District and may be amended by the District's Board of Commissioners. Active participants meeting hourly and employee contribution criteria receive an employer matching contribution based on a percentage of the employees' base salary, subject to certain limitations. The employer contribution fully vests upon completion of two qualified years or upon the occurrence of death, disability, or attainment of age 65 for qualified employees. Forfeited contributions, if any, are applied against future employer obligations.

The District's liability under the plan, which is also administered by CPI Qualified Plan Consultants, Inc., is limited to its annual contribution. The District's contributions to the employee benefit plan totaled \$144,309 and \$142,435 in 2019 and 2018, respectively. Contributions made by employees to the benefit plan totaled approximately \$882,098 and \$818,647 in 2019 and 2018, respectively. For more information on the plans, contact the District's human resources office.

Note 9 – Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors was as follows:

	2019	2018
Medicare	45%	48%
Medicaid	6%	10%
Other commercial	40%	33%
Patient and self-pay	9%	9%
	<u>100%</u>	<u>100%</u>

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 10 – Commitments and Contingencies

Operating leases – The District leases certain facilities and equipment under operating lease arrangements. The following is a schedule by year of future minimum lease payments as of December 31, 2019:

2020	\$ 814,373
2021	545,222
2022	387,851
2023	320,614
2024 and thereafter	<u>370,266</u>
	<u>\$ 2,438,326</u>

Rent expense on operating leases for 2019 and 2018 was \$1,960,590 and \$1,988,411, respectively.

Litigation – The District is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the District's future financial position or results from operations.

Compliance with laws and regulations – The health care industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased substantially. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Insurance – The District has its professional liability insurance coverage with Physicians Insurance. This policy provides protection on a "claims-made" basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, they will be covered in the year the claim is filed only if claims-made coverage is obtained in that year or if the District purchases insurance to cover "prior acts." Current coverage with no deductible is for \$1,000,000 per occurrence subject to a \$5,000,000 annual limit. No liability has been accrued for future claims for acts occurring in the current or prior years. Also, it is possible that claims may exceed coverage obtained in any given year.

Public Hospital District No. 4, King County, Washington

Notes to Financial Statements

Note 11 – Subsequent Event

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. In March of 2020 the District was mandated to delay elective procedures by the State of Washington. In addition, as a result of the “stay-at-home” order, the District facilities have heavily reduced or are not currently performing other non-essential services. The total financial impact cannot be reasonably estimated at this time but is expected to have a negative impact on the District’s financial performance.

In April 2020, the District was granted a loan under the Paycheck Protection Program offered by the SBA under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a)(36) of the Small Business Act for \$3,965,000. The loan bears interest at 1% with no payments for the first 6 months. Monthly payments of principal and interest of \$223,138 begin in November 2020 and continue through maturity in April 2022, if required. The loan is subject to partial or full forgiveness if the Company: uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations and guidance.

In April 2020, the District received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (HHS), under the CARES Act, of \$1,277,085. The District has signed attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to help prevent fraud and misuse. The funds are to be used for health care-related expenses or lost revenue attributable to coronavirus; there are limitations on accepting out-of-pocket payments from certain patients; and there is acceptance of several other reporting and compliance requirements. Also, anti-fraud monitoring and auditing will be done by HHS and the Office of the Inspector General. Management is still determining their ability to comply with these terms and conditions.

**Report of Independent Auditors 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 Commissioners
Public Hospital District No. 4,
King County, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Hospital District No. 4, King County, Washington (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 20, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Everett, Washington
May 20, 2020



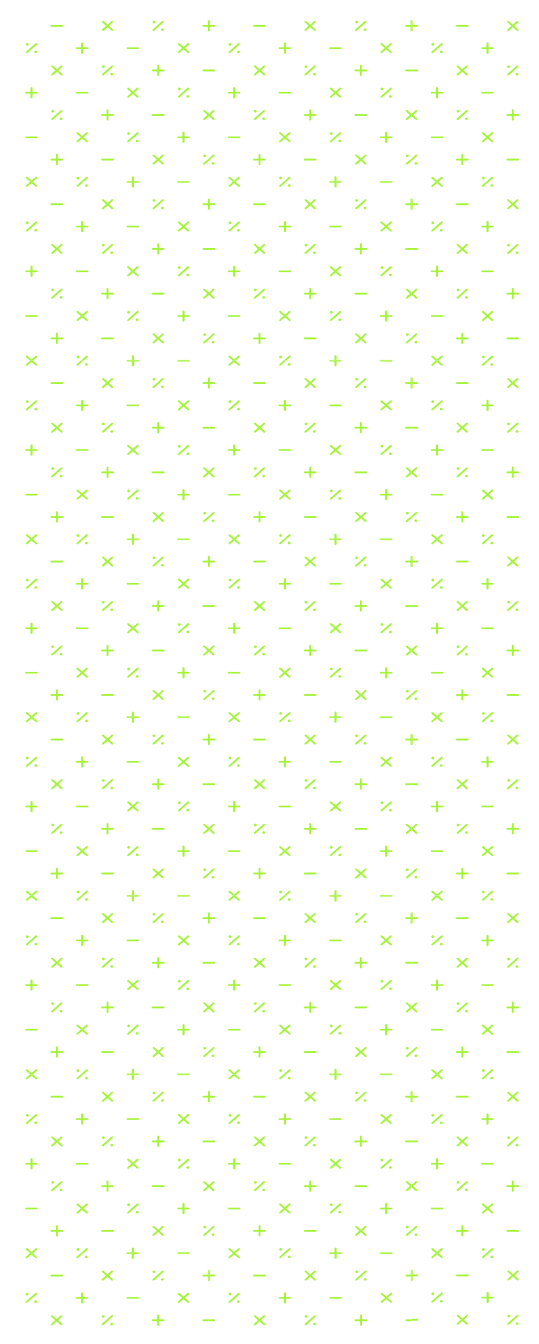
Independent Auditor's Report to the Finance Committee

Eric Nicholson, Partner





Board Communications



Auditor's Report

- Unmodified Opinion:
 - Financial statements are fairly presented in accordance with generally accepted accounting principles



Important Board Communications

- No issues discussed prior to our retention as auditors
- No disagreements with management
- No corrected/uncorrected adjustments
- No internal control deficiencies



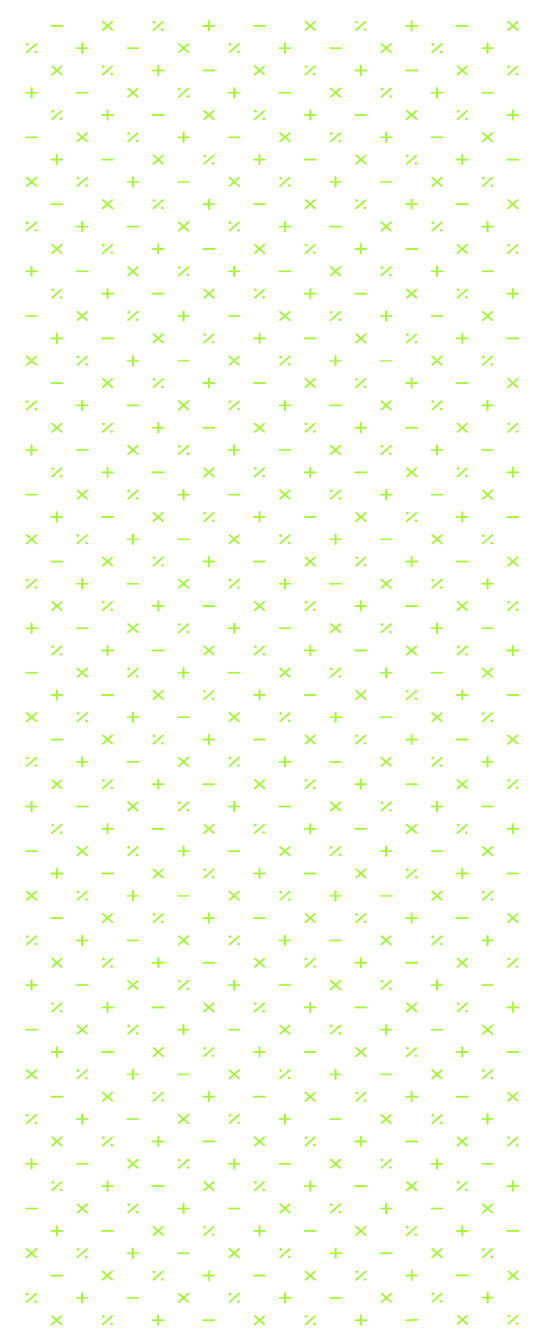
GASB Pronouncement Update

- GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance
 - Delayed by **one year**:
 - Statement No. 83, Certain Asset Retirement Obligations
 - Statement No. 84, Fiduciary Activities
 - Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
 - Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
 - Statement No. 90, Majority Equity Interests
 - Statement No. 91, Conduit Debt Obligations
 - Statement No. 92, Omnibus 2020
 - Statement No. 93, Replacement of Interbank Offered Rates
 - Delayed by **18 months**:
 - Statement No. 87, Leases
- GASB 84 – Fiduciary Activities – Periods beginning after 12/15/18
 - Management evaluating impact – GASB project underway to create exceptions, which would likely scope DC plan out



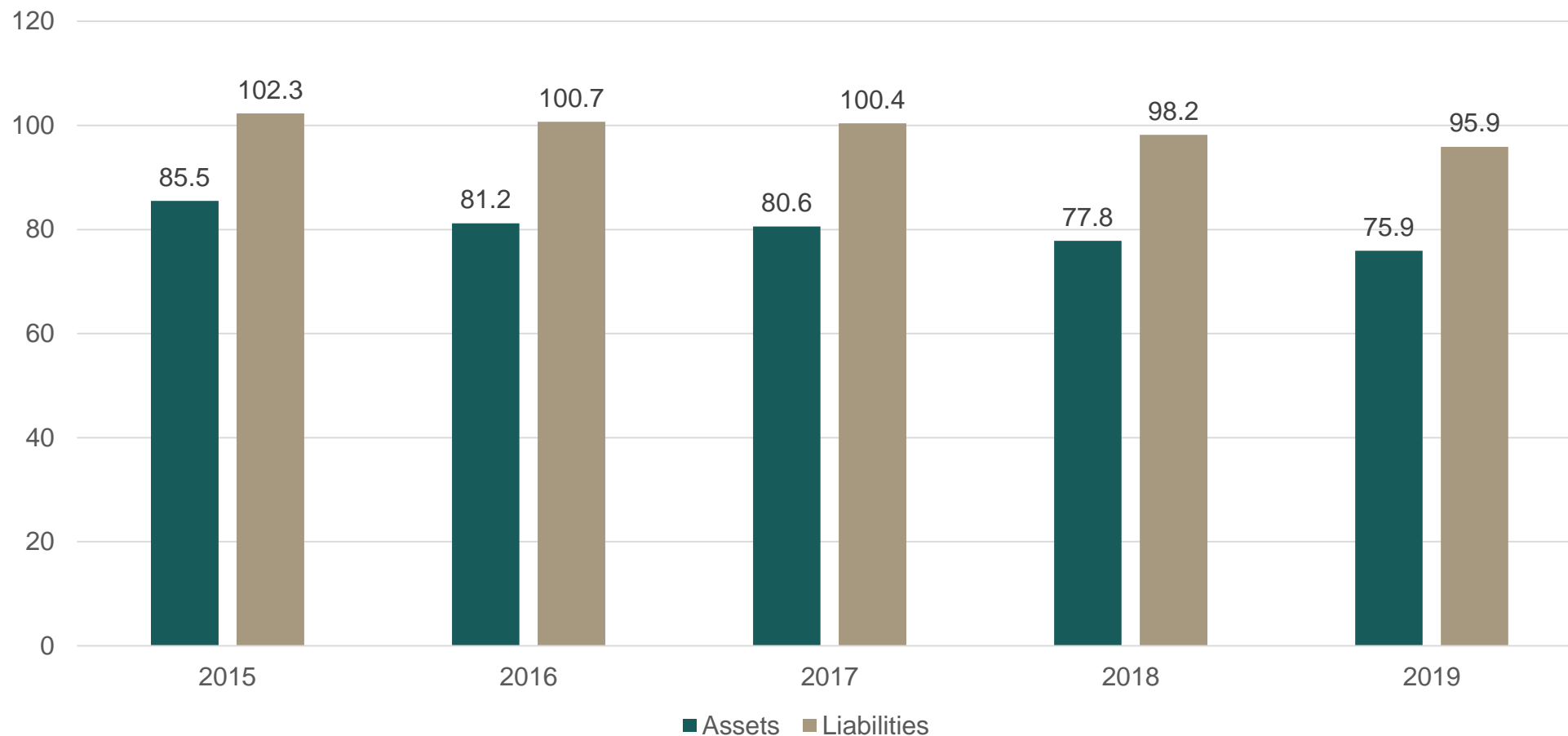


Financial Statement Trends

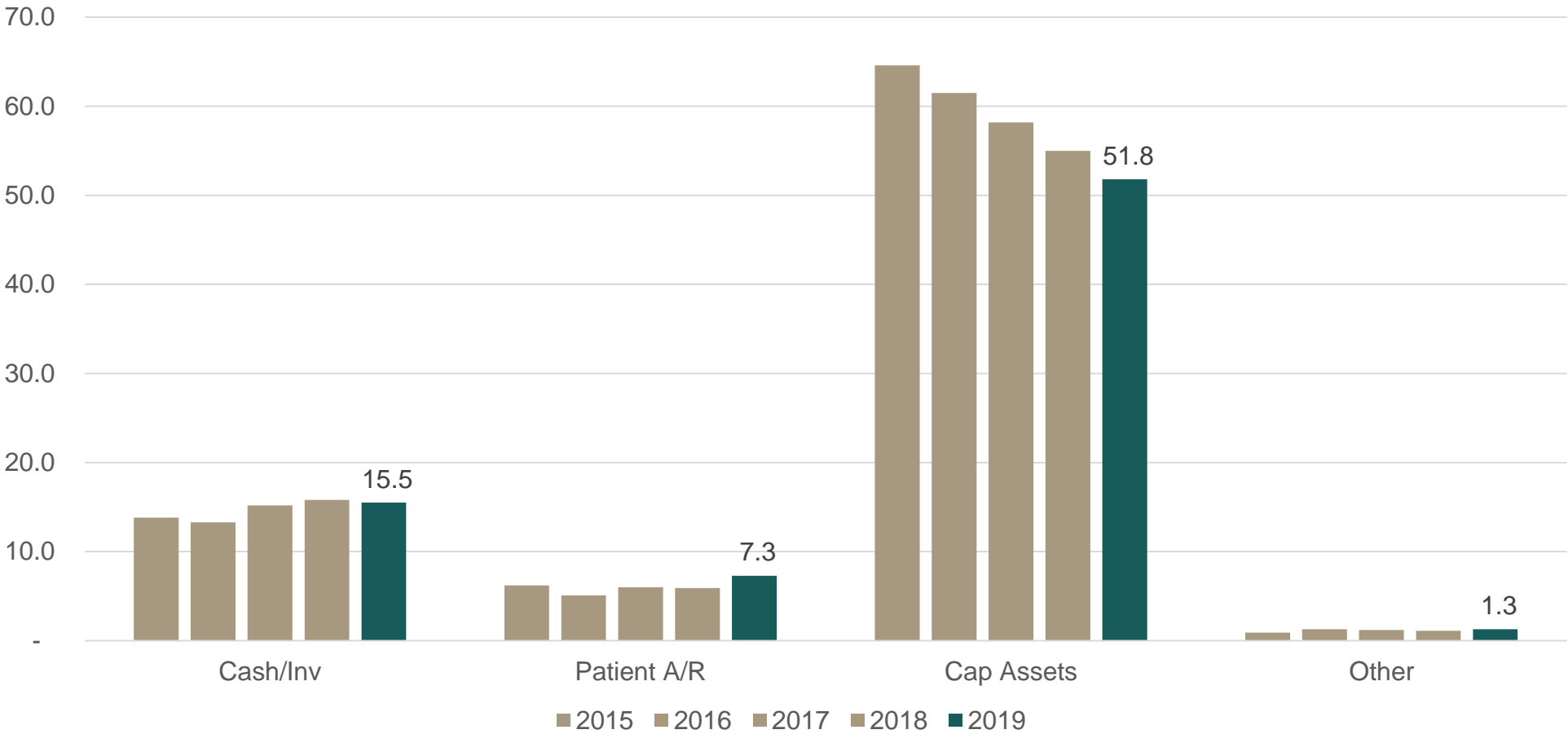


Total Assets and Deferred Outflows of Resources and Total Liabilities

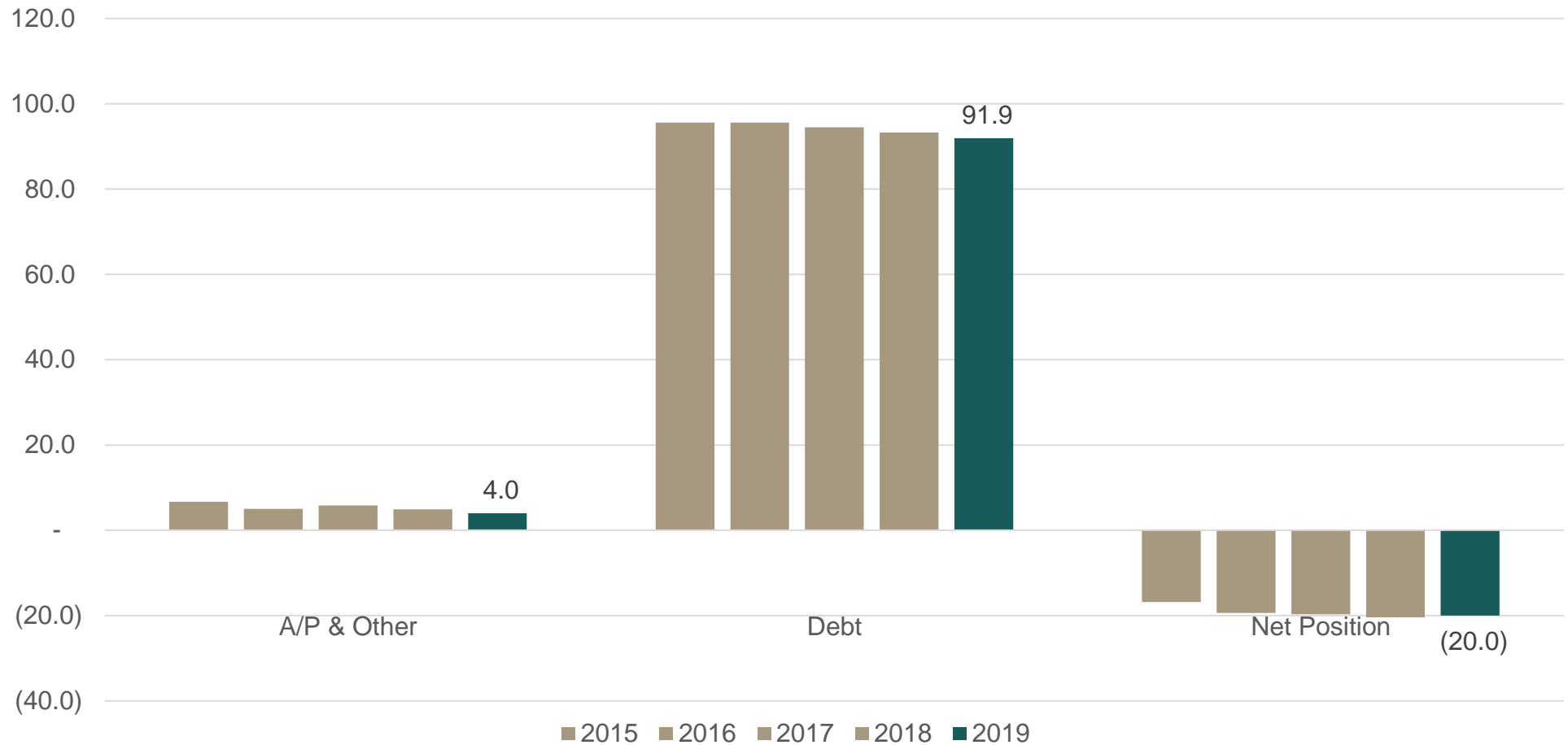
(in millions)



Asset and Deferred Outflows Composition (in Millions)

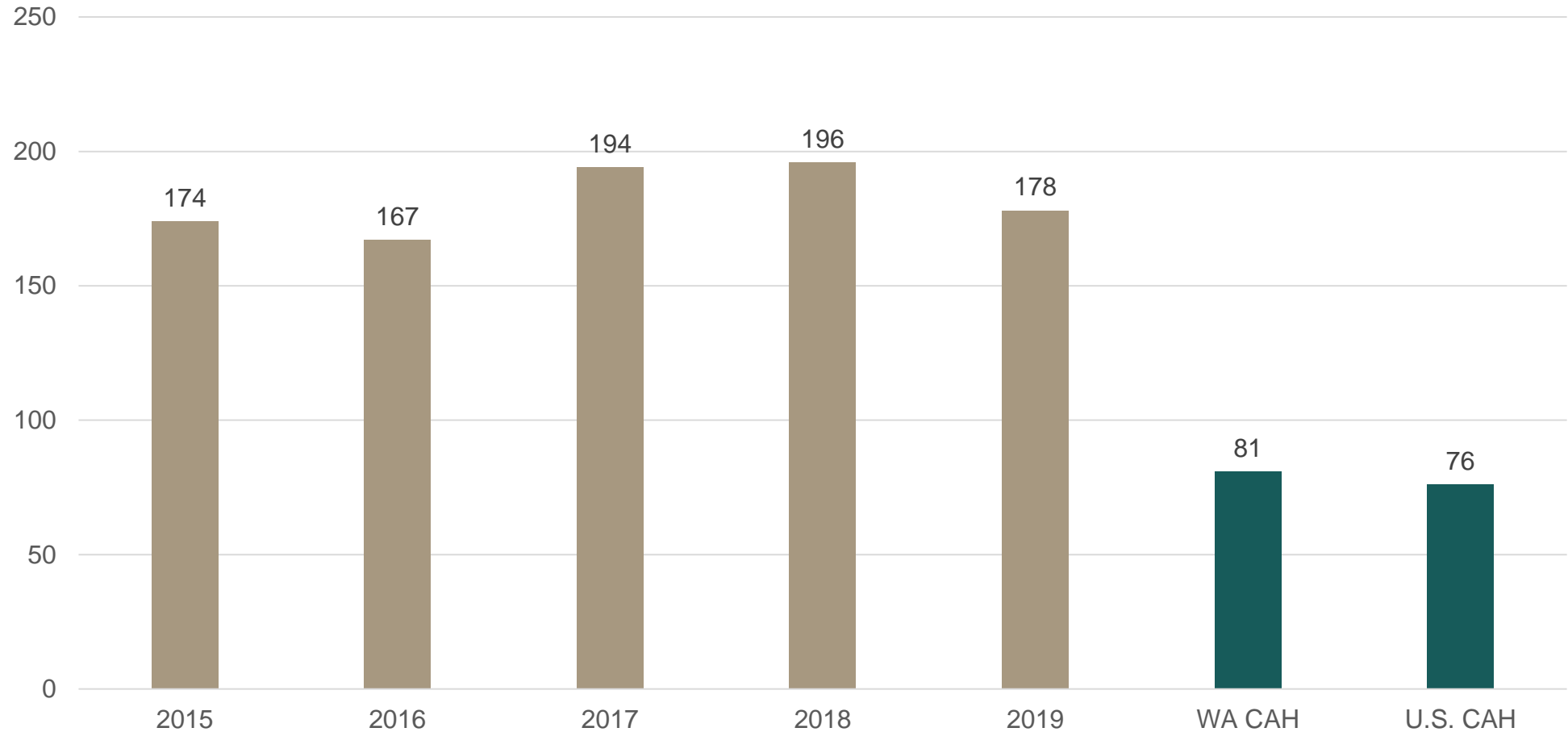


Liabilities and Net Position (in millions)



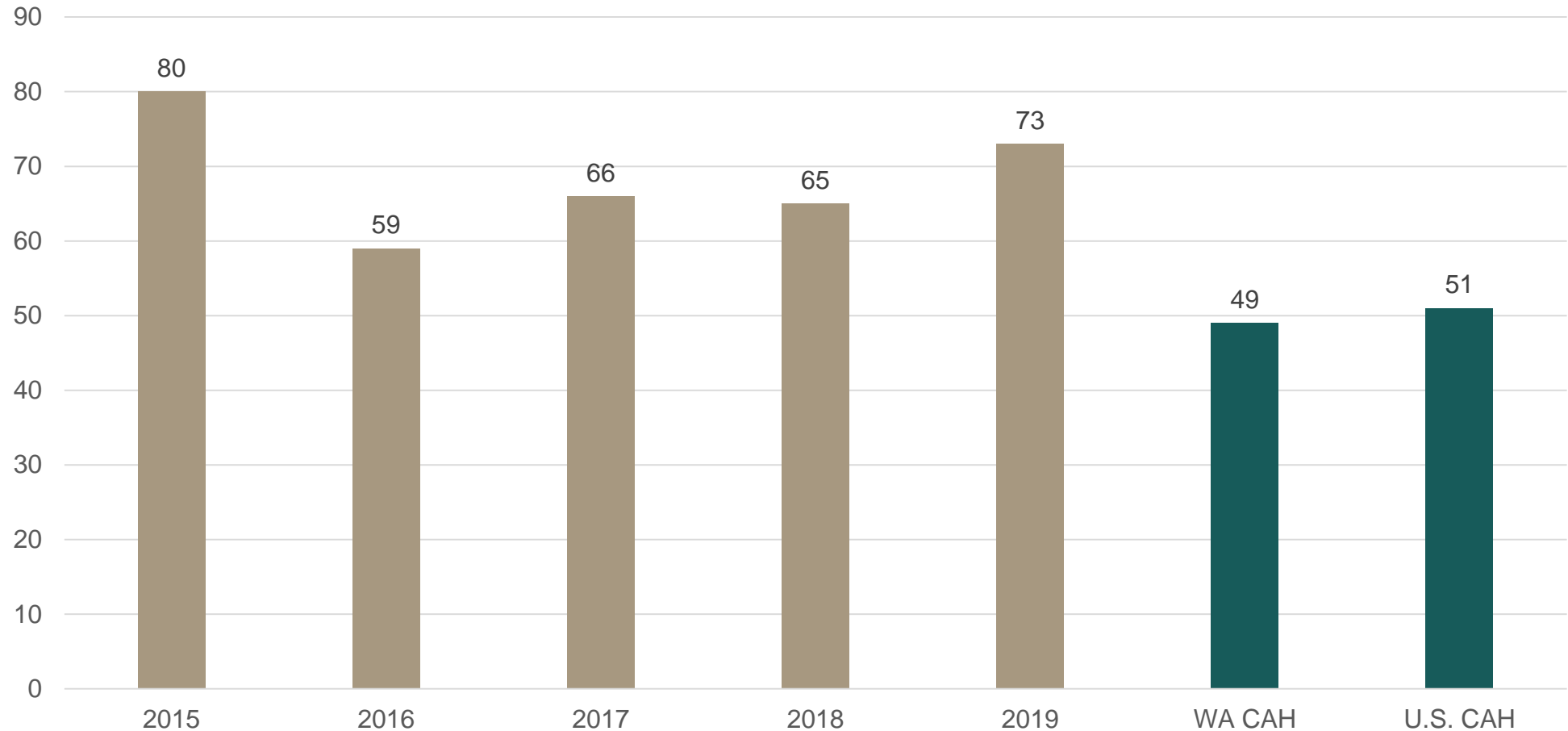
Days Cash and Investments

(with Comparisons to 2018 Critical Access Hospitals (CAH))



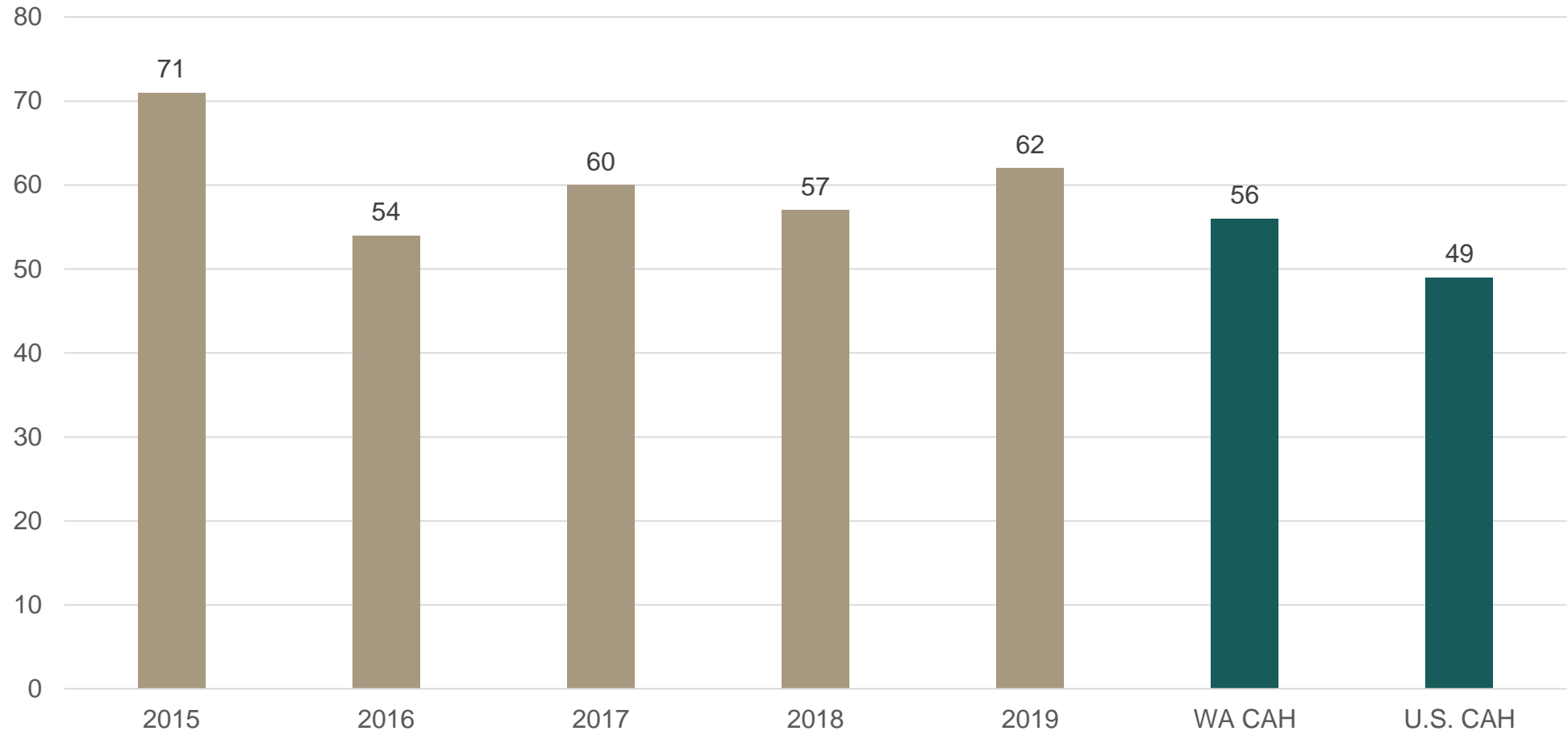
Days Net Revenue in Accounts Receivable

(with Comparisons to 2018 Critical Access Hospitals (CAH))



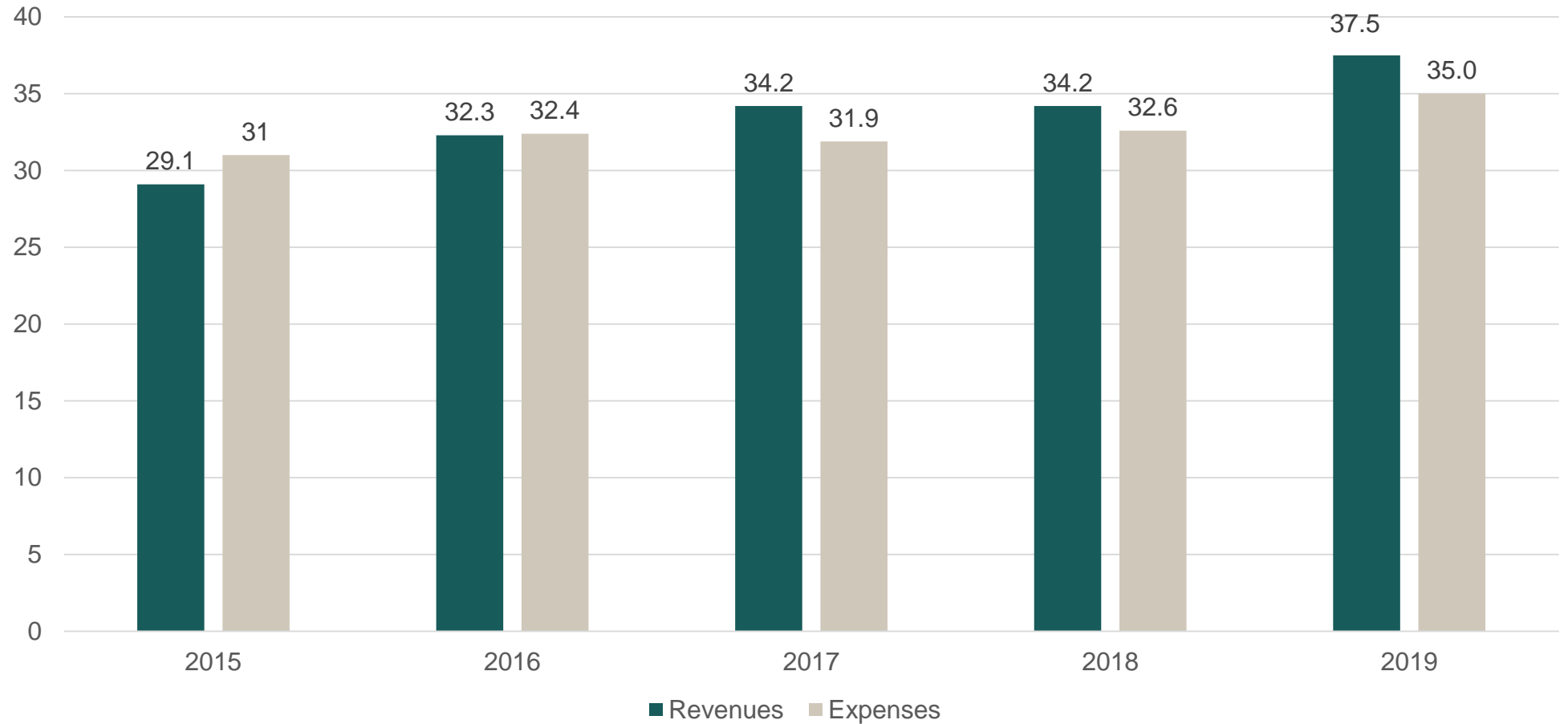
Days Gross Revenue in Accounts Receivable

(with Comparisons to 2018 Critical Access Hospitals (CAH))

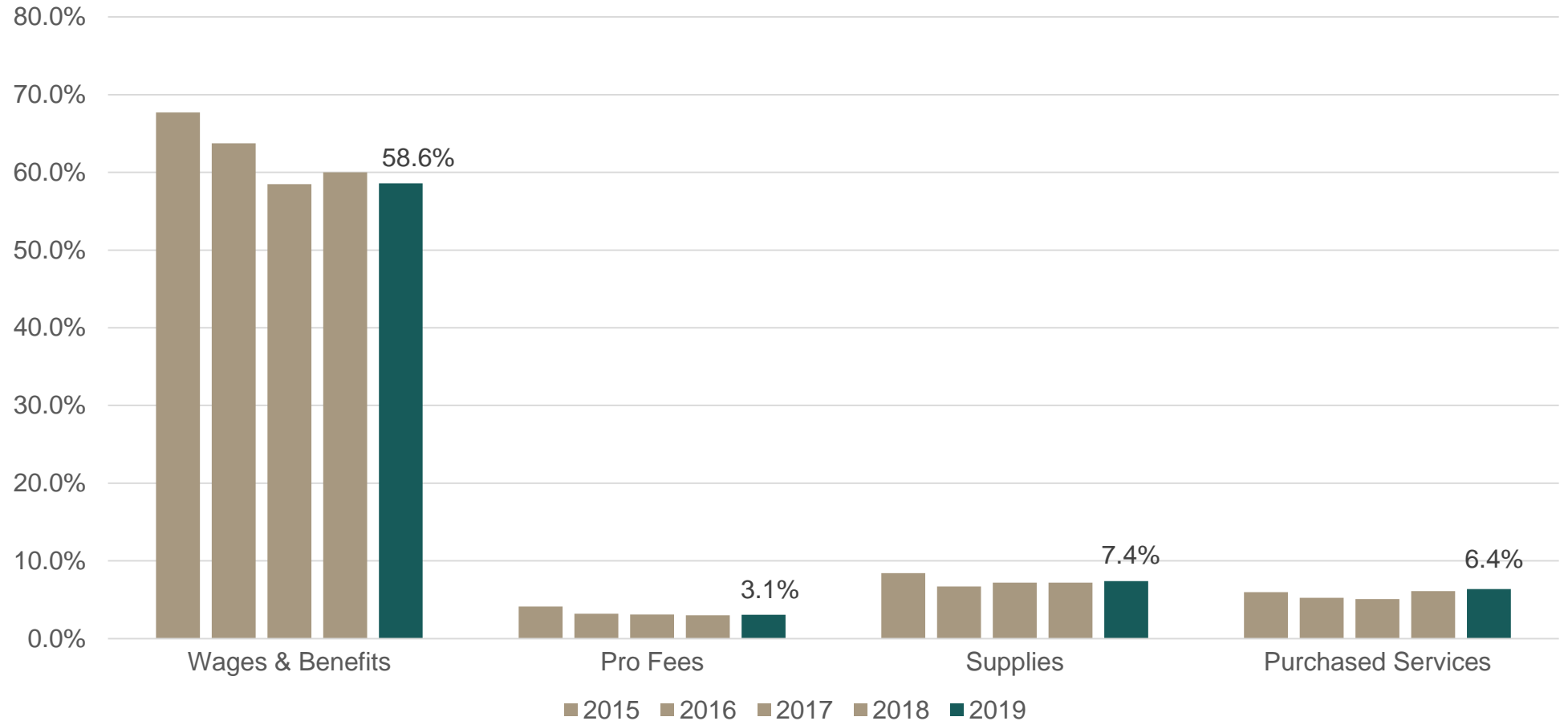


Operating Revenues and Expenses

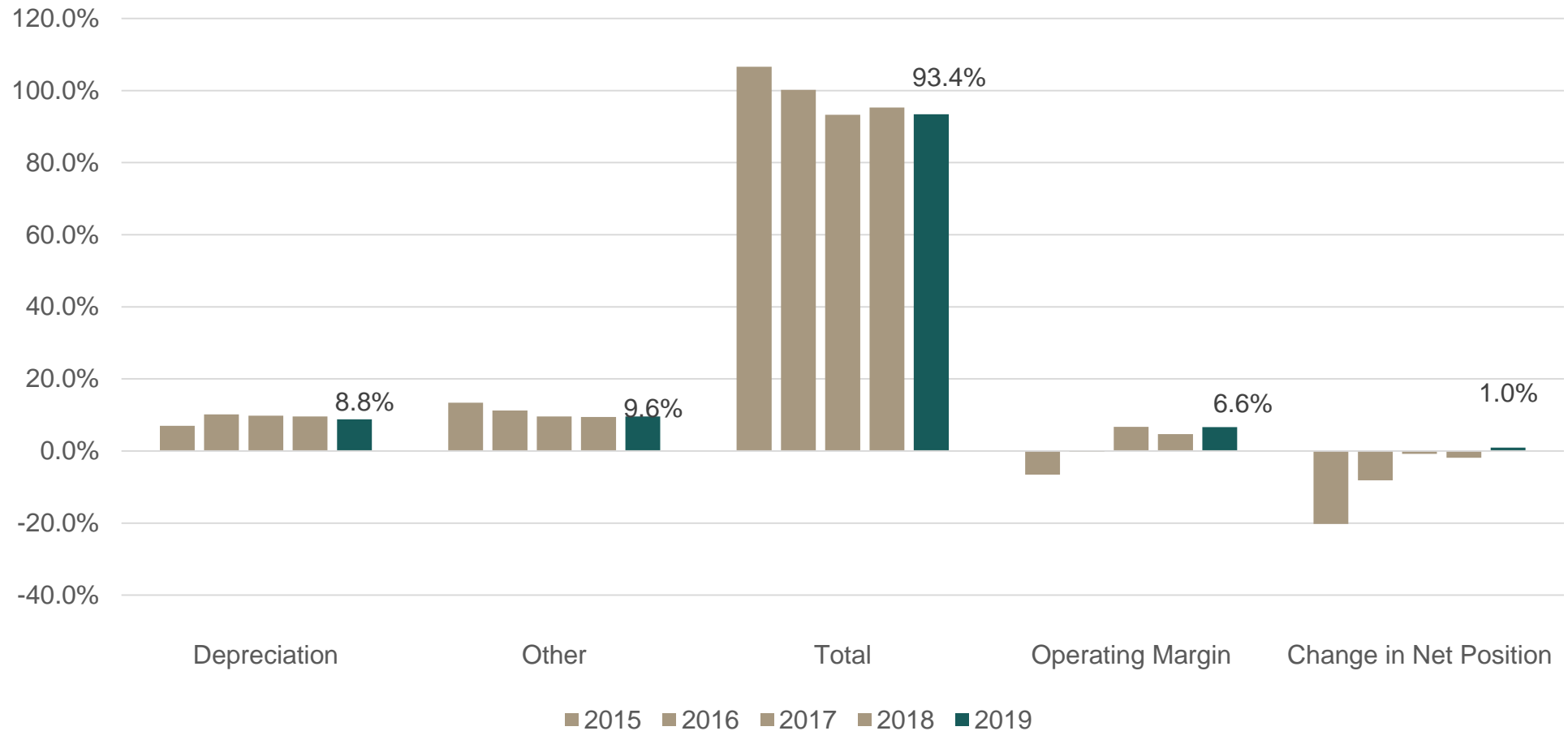
(in millions)



Expenses as a Percentage of Operating Revenue



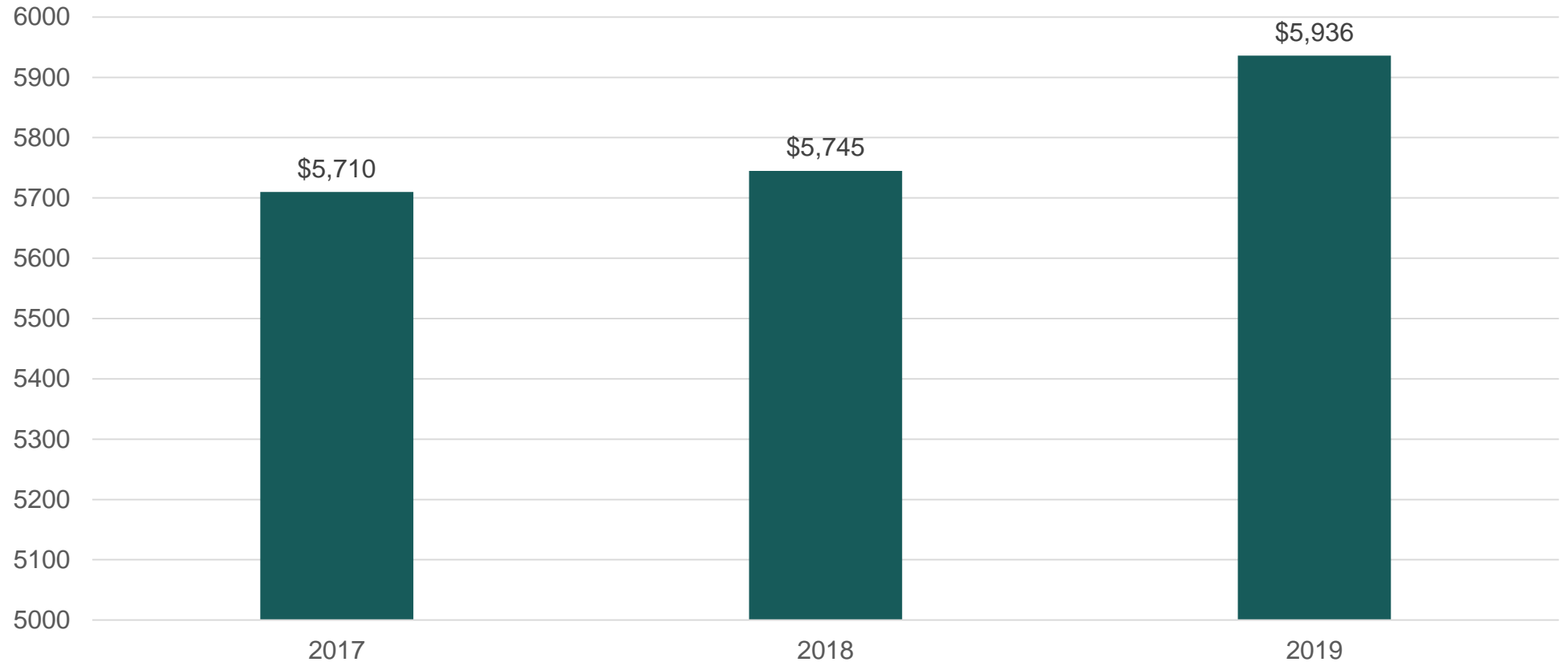
Expenses as a Percentage of Operating Revenue (continued)



Income Available for Debt Service

(in thousands)

Requirement for 2017 and Future is \$4.4M



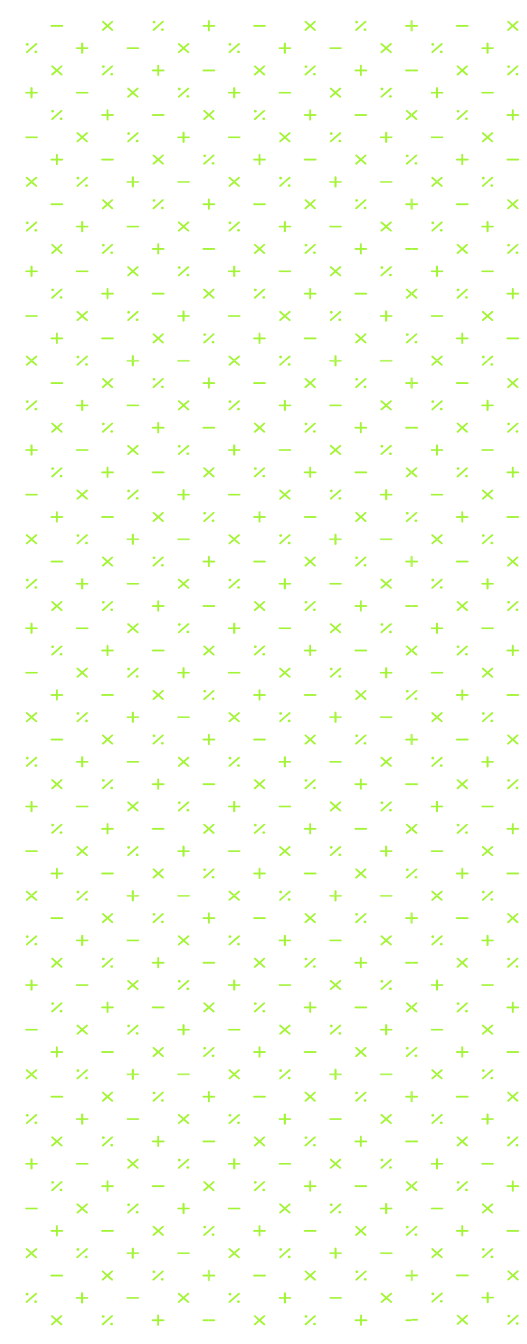
Other Ratio Comparisons

Ratio	SVH	WA	USA
Operating Margin	6.6%	-3.4%	0.2%
Total Margin	1.0%	0.3%	1.6%
Current Ratio	3.0	3.9	2.5
Age of Plant	5.8	12.3	11.5
Debt to Capitalization	128%	41.5%	30.8%
Outpatient to Total Revenue	46.0%	78.6%	79.4%





Industry Observations

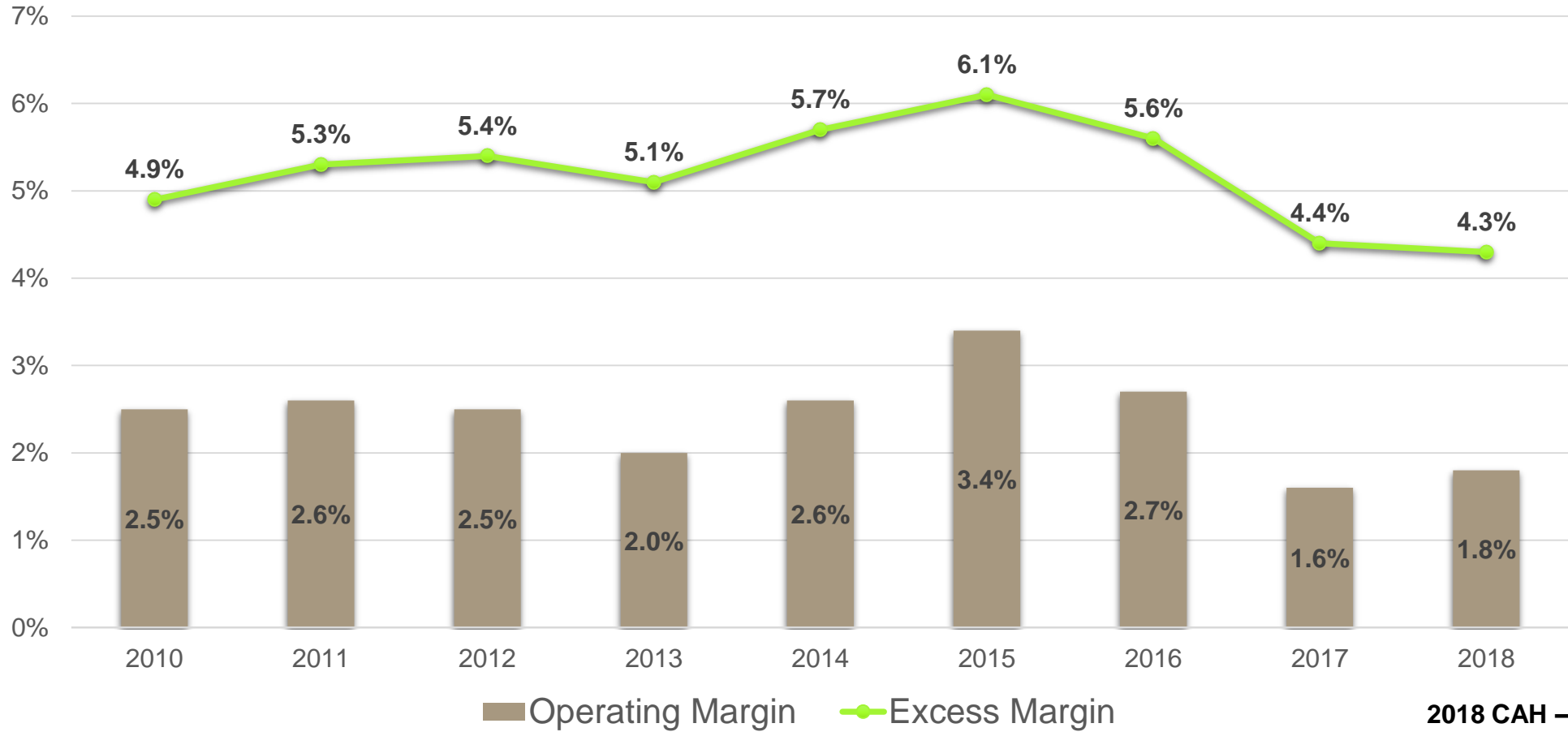


National Hospital Trends

Operating Margin & Excess Margin as a Percentage of Net Revenue



19



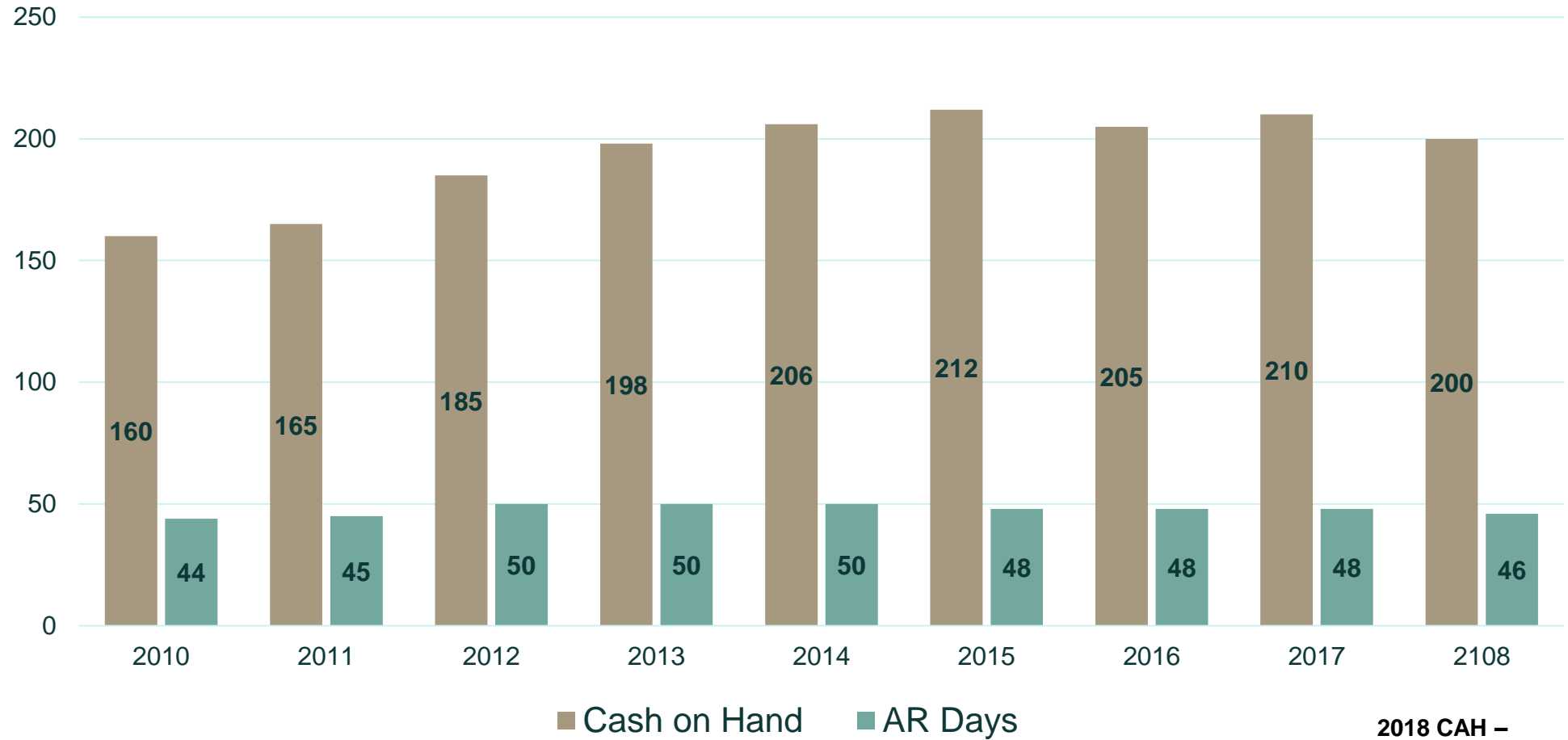
2018 CAH –
WA: -3.4% and 0.3%
US: 0.2% and 1.6%

National Hospital Trends

Days Cash and Receivables



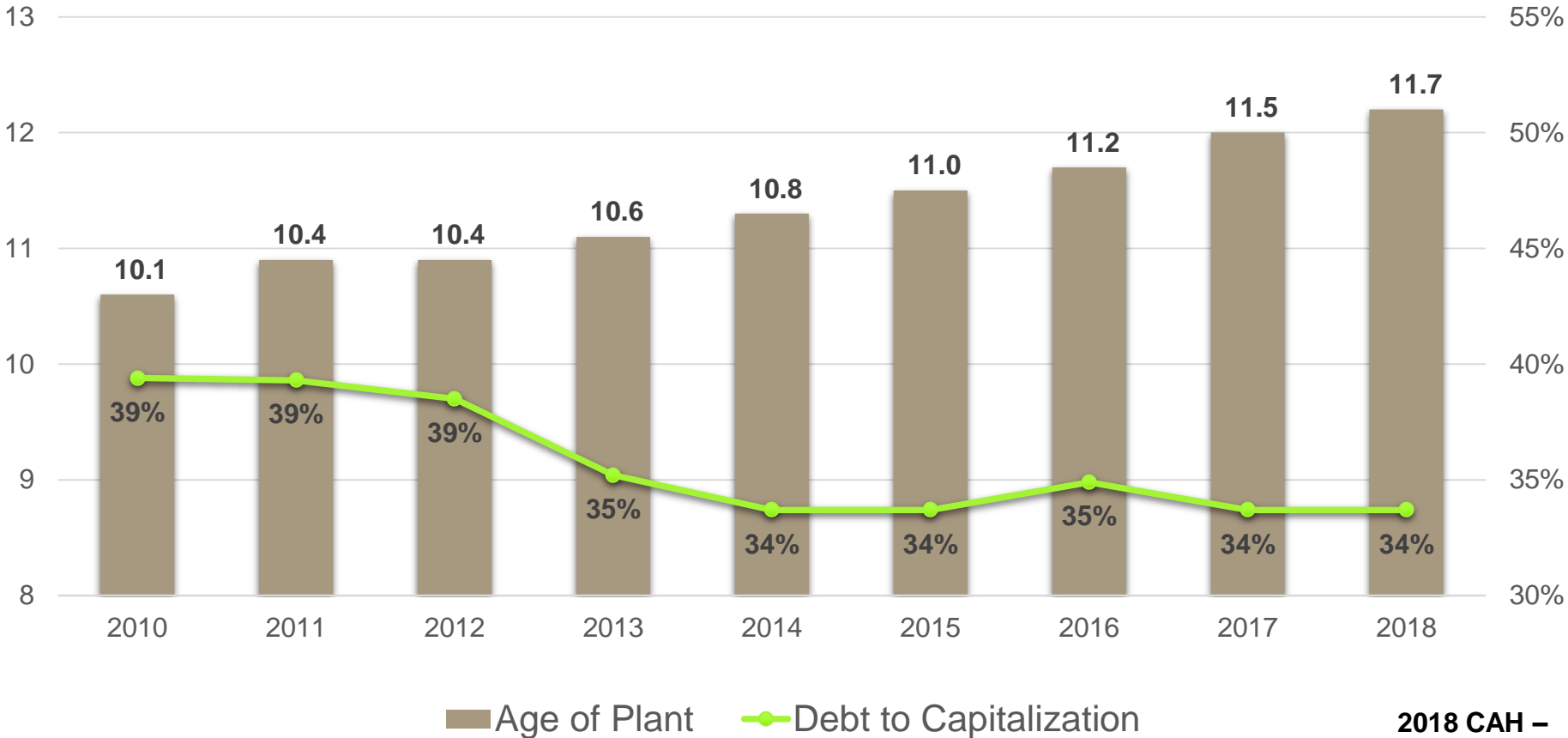
20



2018 CAH –
WA: 81.3 and 49.4
US: 75.9 and 50.7

National Hospital Trends

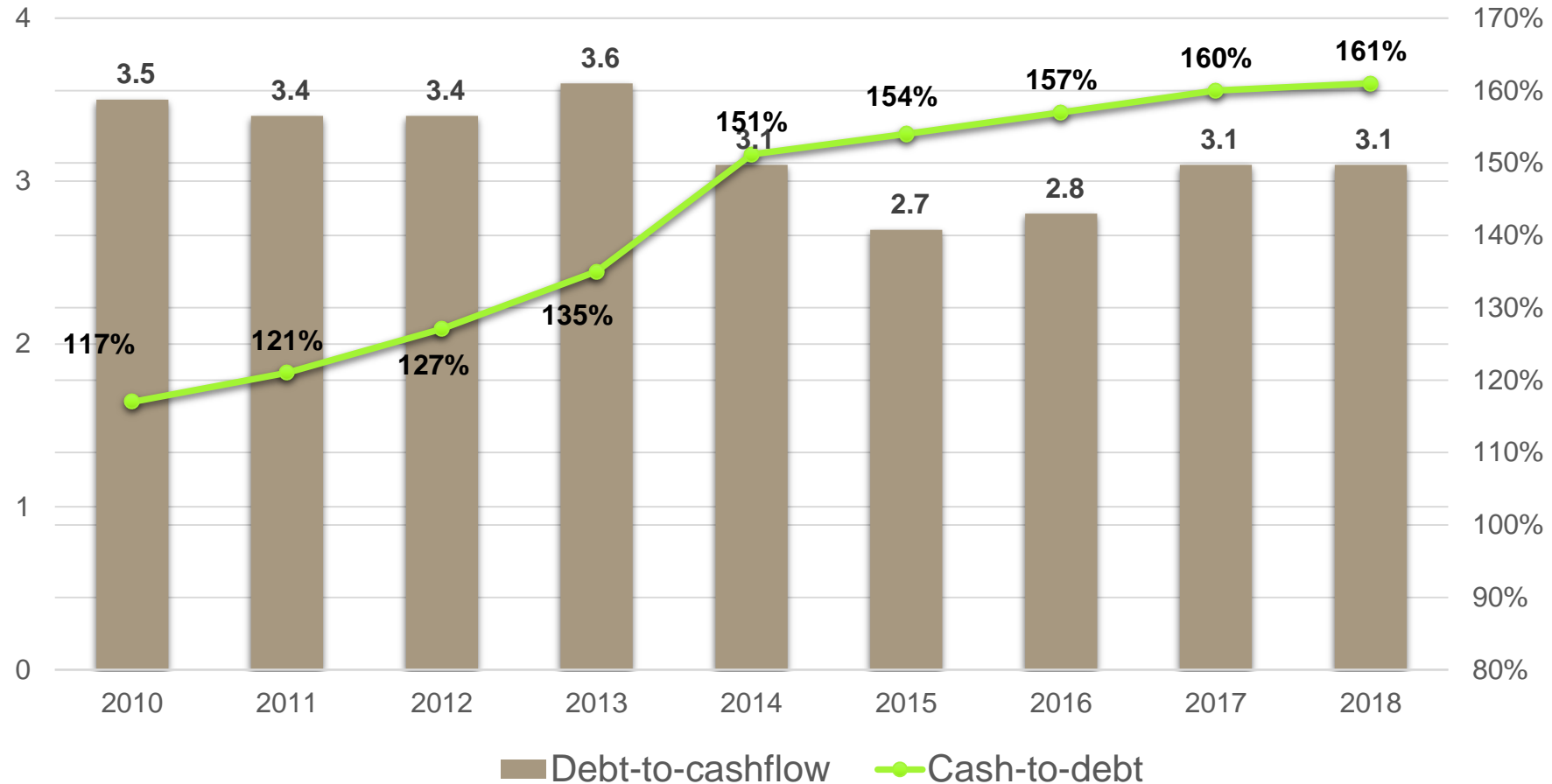
Age of Plant & Debt to Capitalization



2018 CAH –
WA: 12.3 and 41.5%
US: 11.5 and 30.8%

National Hospital Trends

Debt-to-Cash Flow & Cash-to-Debt



22



Thanks

Independent Auditor's Report to the Finance Committee

Eric Nicholson, Partner



DRAFT



PUBLIC HOSPITAL DISTRICT NO. 4, KING COUNTY
Board of Commissioners
May 14, 2020
MINUTES
AFFILIATION WORK/STUDY
5:00 p.m.
VIA TELECONFERENCE

COMMISSIONERS PRESENT:

Emma Herron, President
Dariel Norris, Vice President
Kevin Hauglie, Secretary
David Speikers, Commissioner
Jen Carter, Commissioner

ALSO PRESENT:

Kim Witkop, M.D., Interim Superintendent/CEO/CMO
Karyn Denton, COO/CNO
Patrick Ritter, Chief Financial Officer
Skip Houser, General Counsel
Valerie Huffman, Clerk

This meeting was held via teleconference only pursuant to Proclamation 20-28 issued by Governor Inslee regarding the Open Public Meeting Act and Public Records Act. All parties listed above were on the call. The call-in number was provided on a Public Meeting Notice posted prior to the meeting.

CALL TO ORDER: The meeting was called to order by President Herron at 5:00 pm followed by roll call.

TOPICS OF DISCUSSION:

1. **Update on Affiliation Agreement.**

- Overlake has taken quite a hit with the COVID crisis and with furloughs and layoffs, the decision was made to take a one-year pause on affiliation work.
- However, to confirm their commitment to the affiliation, Overlake offered some interim options, some of which have been declined and counteroffers made on others.

- At this time, Overlake is willing to engage in working on the following:
 - Management Services Agreement for Emergency Department only
 - Establish discrete service contracts between OHMC and SVH to either replace contracts SVH currently has in place with other vendors or represent an un-filled need.
 - Formalize an inpatient transfer agreement to complement the current ED transfer agreement.

2. **COVID-19 Funding.** An update on the various COVID-19 funding was provided.

PUBLIC COMMENT: None.

Minutes of this meeting, once approved, will be available on the District's website at www.snoqualmiehospital.org under the Governance page. Copies of any presentations and/or documents that are not work product are available upon request by contacting Administration at 425.831.2362.

UPCOMING MEETINGS: Location TBD

Work Study: Wednesday, May 27, 2020, 6:30 pm

Affiliation Work Study: Thursday, June 11, 2020, 6:30 pm

The meeting adjourned at 6:04 pm.

Emma Herron, President

Kevin Hauglie, Secretary

DRAFT



PUBLIC HOSPITAL DISTRICT NO. 4, KING COUNTY
Board of Commissioners
May 14, 2020, 6:30 pm
MINUTES
Snoqualmie Valley Hospital
VIA TELECONFERENCE

PRESENT:

Emma Herron, President
Dariel Norris, Vice President
Kevin Hauglie, Secretary
David Speikers, Commissioner
Jen Carter, Commissioner

ALSO PRESENT:

Kim Witkop, M.D., Interim Superintendent/CEO, CMO
Karyn Denton, COO/CNO
Patrick Ritter, CFO
Charles (Skip) Houser, General Counsel
Valerie Huffman, Clerk

CALL TO ORDER: The meeting was called to order by Pres. Herron at 6:30 pm, followed by roll call. This meeting was held via conference call only pursuant to Proclamation 20-28 issued by Washington State Governor Inslee. All parties listed above were on the call. The call-in number was provided on a Public Meeting Notice posted prior to the meeting.

APPROVAL OF AGENDA

A motion was made and seconded to approve the agenda as written. M/Norris, S/Speikers

The motion passed by unanimous vote.

COMMUNICATIONS:

Pres. Herron shared a memo written to her by Skip Houser, General Counsel wherein he provided an update from Governor Inslee on Proclamation 20.28.3. The deadlines in Proclamation 20.28 have now been extended to May 31, 2020 regarding the OPMA and public records requests.

Kim Witkop, M.D., Interim Superintendent/CEO her CEO report which had been incorporated into the board packet.

CONSENT AGENDA

A motion was made and seconded to approve the consent agenda as proposed, which includes approval of minutes and physician credentialing. M/Norris, S/Hauglie.

There was no further discussion and the motion unanimously passed.

COMMITTEE REPORTS

1. Finance Committee Report - Approval of warrants, payroll and payroll taxes – March 1 thru March 31, 2020. Commissioner Speikers, Finance Committee Chair, reported on the March 2020 finances that were reviewed at the Finance Committee meeting held on April 28, 2020.

Written minutes were also provided. The committee will next meet on June 3, 2020 to review April 2020 finances.

1(a). Approval of Warrants, Payroll and Payroll taxes – March 2020.

A motion was made and seconded to approve total disbursements that includes payroll warrants, hospital and clinic payroll, auto deposits, hospital and clinic payroll taxes, retirement and matching plans, as well as all accounts payable warrants in the total amount of \$2,640,239.82 for March 1 thru March 31, 2020, as recommended by the Finance Committee. M/Speikers, S/Herron

The motion carried by unanimous vote.

2. Medical Committee Report. Written minutes from the May 5, 2020 meeting were provided as part of the board packet and reported by Commissioner Norris, Committee Chair. The committee will next meet on June 2, 2020.

3. Facilities Committee Report. Comm. Hauglie, Committee Chair reported on items discussed in the Facilities Committee meeting held on April 27, 2020. The committee is scheduled to next meet on May 27, 2020 (rescheduled from May 25, 2020 due to the holiday). Written minutes were also provided.

NOTE: Any documents presented at this meeting are available upon request. Minutes are posted on the District Website at www.snoqualmiehospital.org under the Governance Page. For questions or further information, please contact Administration at 425.831.2362 or email valerieh@snoqualmiehospital.org.

OLD BUSINESS: None.

NEW BUSINESS:

1. Resolution No. 662.0520 re SBA Loan (CARES Act Payroll Protection Program). This resolution was read in its entirety by Pres. Herron. This resolution is a requirement in conjunction with this SBA loan of \$3,900,000 that, under certain conditions, will convert to a grant. These monies are available through the CARES Act (Coronavirus Aid, Relief and Economic Security Act) program with the intent to keep employees employed during the pandemic. Discussion ensued.

PUBLIC COMMENT: None.

NEW BUSINESS – Action Items:

1. **Resolution No. 662.0520 re SBA Loan (CARES Act Payroll Protection Program).**

There was no further discussion on this resolution, however, was unanimously supported by a vote without a formal motion.

GOOD OF THE ORDER/COMMISSIONER COMMENT: Comments made by commissioners can be heard on the audio of this meeting posted on the District website.

UPCOMING PUBLIC MEETINGS: Meeting locations TBD:

Work / Study: Wednesday, May 27, 2020, 6:30 pm

Affiliation Work / Study – Thursday, June 11, 2020, 4:30-6:00 pm

Monthly Business Meeting – Thursday, June 11, 2020, 6:30 pm

There being no further business the meeting was adjourned at 7:27 pm.

Emma Herron, President

Kevin Hauglie, Secretary



DRAFT

**PUBLIC HOSPITAL DISTRICT NO. 4, KING COUNTY
Board of Commissioners
May 27, 2020
MINUTES
WORK/STUDY
6:30 p.m.
Via Teleconference**

PRESENT:

Emma Herron, President
Dariel Norris, Vice President
Kevin Hauglie, Secretary
David Speikers, Commissioner
Jen Carter, Commissioner

ALSO PRESENT:

Kim Witkop, M.D., Interim Superintendent/CEO, CMO
Karyn Denton, COO/CNO
Patrick Ritter, CFO
Charles (Skip) Houser, General Counsel
Valerie Huffman, Clerk

CALL TO ORDER: The meeting was called to order by Pres. Herron at 6:30 pm followed by roll call. This meeting was held via conference call only pursuant to Proclamation 20-28 issued by Washington State Governor Inslee. All parties listed above were on the call. The call-in number was provided on a Public Meeting Notice posted prior to the meeting.

APPROVAL OF AGENDA:

A motion was made and seconded to approve the agenda as written. M/Herron, S/Norris

The motion unanimously passed.

TOPIC OF DISCUSSION:

1. **The unique rights and accesses afforded to a caregiver.**
2. **Review of consistency in execution of preventive measures across all SVH access sites.**
3. **Public education forum for COVID topics.**

One set of presentation slides covering all three above-listed topics were presented and discussed.

PUBLIC COMMENT: None.

Minutes of this meeting, once approved, are available on the District's website at www.snoqualmiehospital.org under the Governance page. Copies of any presentations and/or documents are available upon request by contacting Administration at 425.831.2362.

UPCOMING PUBLIC MEETINGS: Locations TBD

Affiliation Work / Study – Thursday, June 11, 2020, 4:30-6:00 pm

Monthly Business Meeting – Thursday, June 11, 2020, 6:30 pm

Work / Study: Published schedule shows no Work Study in June due to the annual WSHA Conference in Chelan

The meeting adjourned at 7:31 pm.

Emma Herron, President

Kevin Hauglie, Secretary



Approval of Warrants, payroll and payroll taxes - April 1, 2020 thru April 30, 2020

Summary:

Hospital and Clinics Accounts Payable Warrants:

#72225 thru #72555 \$1,846,911.11

Payroll Warrants #14010 to #14013

2,788.42

Hospital and Clinics Payroll Auto Deposits

1,048,891.51

Hospital and Clinics Payroll Taxes:

397,199.55

Hospital & Clinic Matching Plans:

112,373.58

\$1,561,253.06

TOTAL DISBURSEMENTS

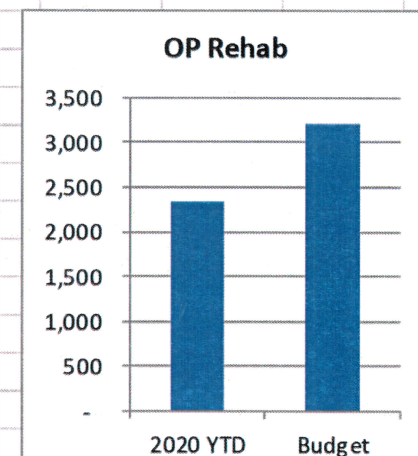
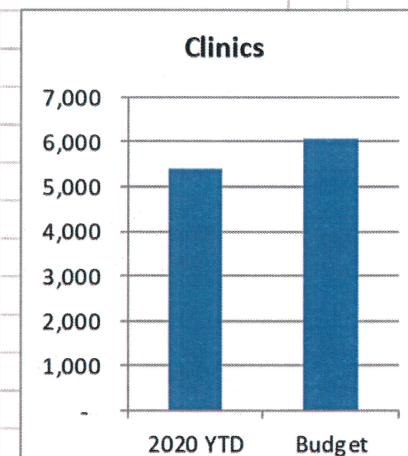
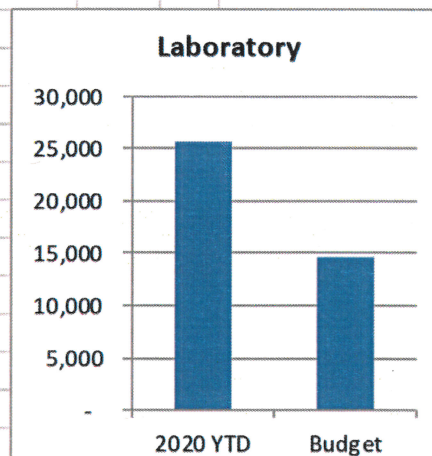
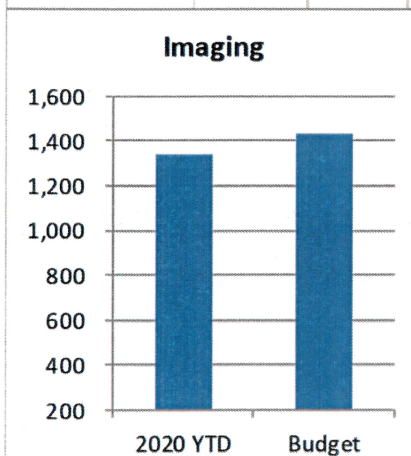
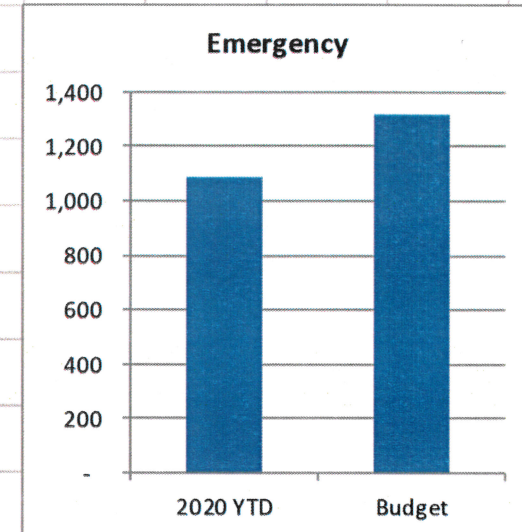
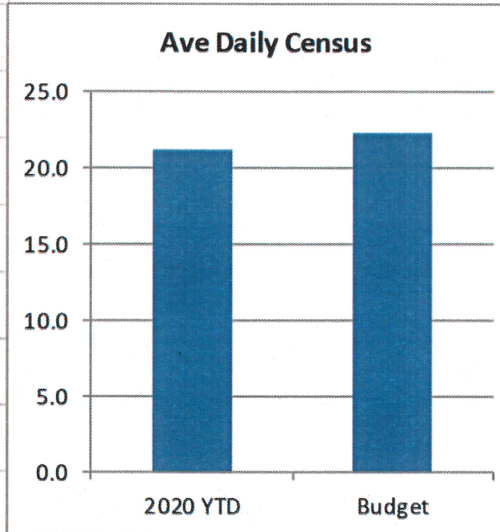
\$3,408,164.17

Snoqualmie Valley Hospital Statistics Summary Display



April YTD Statistics Summary

	2020 YTD	Budget	Var	%Var
Ave Daily Census	21.2	22.3	(1.1)	-4.9%
Emergency	1,085	1,316	(231)	-17.6%
Laboratory	25,696	14,698	10,998	74.8%
Imaging	1,343	1,434	(91)	-6.3%
Clinics	5,410	6,074	(664)	-10.9%
OP Rehab	2,350	3,216	(866)	-26.9%



HOSPITAL & CLINICS COMBINED
STATEMENT OF OPERATIONS
ACTUAL vs BUDGET
APRIL 2020

CURRENT MONTH					YEAR TO DATE			
ACTUAL	BUDGET	VARIANCE	% VARIANCE		ACTUAL	BUDGET	VARIANCE	% VARIANCE
\$ 2,583,060	\$ 3,080,831	\$ (497,771)	-16%	NET PATIENT SERVICE REVENUE	\$ 10,767,766	\$ 12,434,111	\$ (1,666,345)	-13%
46,703	50,770	(4,067)	-8%	TAXATION FOR OPERATIONS	209,461	203,077	6,384	3%
1,475,263		1,475,263		STIMULUS GRANTS - OPERATING	1,475,263		1,475,263	
51,834	33,155	18,679	56%	OTHER	185,948	134,261	51,687	38%
4,156,860	3,164,756	992,104	31%	TOTAL OPERATING REVENUE	12,638,438	12,771,449	(133,011)	-1%
				OPERATING EXPENSES				
1,580,116	1,623,577	43,461	3%	SALARIES	6,206,505	6,494,308	287,803	4%
373,816	362,571	(11,245)	-3%	EMPLOYEE BENEFITS	1,537,874	1,450,234	(87,640)	-6%
209,212	56,856	(152,356)	-268%	PROFESSIONAL FEES	431,125	227,771	(203,354)	-89%
231,793	241,714	9,921	4%	SUPPLIES	926,312	966,856	40,544	4%
25,066	15,618	(9,448)	-60%	REPAIRS AND MAINTENANCE	91,215	62,472	(28,743)	-46%
35,500	36,220	720	2%	UTILITIES	163,081	144,880	(18,201)	-13%
319,147	209,692	(109,455)	-52%	PURCHASED SERVICES	1,052,420	833,968	(218,452)	-26%
14,036	10,431	(3,605)	-35%	INSURANCE	60,589	41,724	(18,865)	-45%
61,034	62,898	1,864	3%	LEASE AND RENTALS	238,210	251,592	13,382	5%
334,266	356,990	22,724	6%	DEPRECIATION	1,362,318	1,427,960	65,642	5%
52,449	43,927	(8,522)	-19%	OTHER	200,216	175,511	(24,705)	-14%
3,236,436	3,020,494	(215,942)	-7%	TOTAL OPERATING EXPENSES	12,269,864	12,077,276	(192,588)	-2%
920,424	144,262	776,162	538%	OPERATING INCOME	368,574	694,173	(325,599)	-47%
10,039	13,587	(3,548)	-26%	INVESTMENT INCOME, NET OF AMOUNT CAPITALIZED	45,706	54,348	(8,642)	-16%
280,350	276,502	3,848	1%	TAXATION FOR BOND PRINCIPAL & INTEREST	1,124,212	1,106,009	18,203	2%
(468,346)	(464,772)	(3,574)	-1%	INTEREST EXPENSE, NET OF AMOUNT CAPITALIZED	(1,863,094)	(1,859,085)	(4,009)	0%
(9,096)	(9,096)	(0)	0%	BOND ISSUANCE AND FINANCING COSTS	(36,386)	(36,384)	(2)	0%
-	10,249	(10,249)	-100%	OTHER NET	18,987	40,995	(22,008)	-54%
(187,053)	(173,530)	(13,523)	-8%	NON OPERATING, NET	(710,575)	(694,117)	(16,458)	-2%
733,371	(29,268)	762,639	2606%	CHANGE IN NET POSITION	(342,001)	56	(342,057)	-610816%
-	-			NET POSITION BEGINNING OF YEAR	-	-	-	
\$ 733,371	\$ (29,268)	\$ 762,639	2606%	NET POSITION	\$ (342,001)	\$ 56	\$ (342,057)	-610816%

06/01/20

BALANCE SHEET

Page:1

10:33

Snoqualmie Valley Hospital

Application Code : GL

User Login Name:carolynm

Consolidated Balance Sheet

APRIL 2020

DESCRIPTION	Current Year	Prior Year
	Actual	Actual
ASSETS		
CURRENT ASSETS		
UNRESTRICTED CASH	9,819,315.77	7,161,889.45
RESERVE FUND LTGO 2011	3,924,179.74	3,407,661.51
RESERVE FUND LTGO	2,490,629.75	2,437,570.62
RESERVE FUND 2015 REVENUE BOND	3,675,187.50	3,675,187.50
CMS ADVANCED PAYMENT	11,001,273.01	0.00

RESTRICTED FUNDS	21,091,270.00	9,520,419.63
BOARD RESTRICTED FUNDS	102,276.62	102,276.62

TOTAL CASH	31,012,862.39	16,784,585.70
ACCOUNTS RECEIVABLE	8,502,867.36	8,332,366.73
LESS A/R ALLOWANCES	1,896,051.18	2,605,006.62
NET PATIENT A/R	6,606,816.18	5,727,360.11

COST REPORT RECEIVABLE	264,571.00	0.00
EMR MEANINGFUL USE RCVBL	197,176.84	197,176.84

TOTAL NET RECEIVABLE	7,068,564.02	5,924,536.95
TAX RECEIVABLE	2,458,064.81	2,202,294.99
INVENTORY	240,318.85	105,736.64
PREPAID EXPENSES	80,022.02	86,714.64
INTANGIBLE ASSETS	2,198,088.97	2,307,245.89
OTHER RECEIVABLES	66,412.53	37,493.46

TOTAL CURRENT ASSETS	43,124,333.59	27,448,608.27
FIXED ASSETS		
LAND AND IMPROVEMENTS	26,599,026.16	26,587,059.86
BUILDINGS	32,029,211.04	32,029,211.04
EQUIPMENT	12,421,630.29	12,338,365.26
RIGHT TO USE ASSET	1,816,061.18	0.00
ACCUMULATED DEPRECIATION	20,286,216.77	17,033,875.27

NET FIXED ASSETS	52,579,711.90	53,920,760.89

TOTAL ASSETS	95,704,045.49	81,369,369.16
	=====	

06/01/20

BALANCE SHEET

Page:2

10:33

Snoqualmie Valley Hospital

Application Code : GL

User Login Name:carolynm

Consolidated Balance Sheet

APRIL 2020

DESCRIPTION	Current Year Actual	Prior Year Actual
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
NOTES PAYABLE	0.00	0.00
COST REPORT PAYABLE	0.00	1,876,451.00
ACCOUNTS PAYABLE	253,151.01	237,035.66
ACCRUED PAYROLL & TAXES	2,219,028.03	1,770,099.03
ACCRUED INTEREST	1,189,610.42	1,075,973.72
OTHER CURRENT LIABILITIES	-41,691.27	-8,679.48
CURRENT PORTION LONG TERM DEBT	1,310,416.65	1,741,250.00
CMS ADVANCED PAYMENT PAYABLE	11,001,273.01	0.00
DEFERRED STIMULUS REVENUE	3,766,821.53	0.00
DEFERRED TAX REVENUE	2,587,466.16	2,492,945.37
TOTAL CURRENT LIABILITIES	22,286,075.54	9,185,075.30
LONG TERM LIABILITIES		
LTGO BONDS	45,600,000.00	45,805,000.00
REVENUE BONDS	46,333,321.10	47,163,321.10
LIABILITY RIGHT TO USE ASSET	1,825,793.67	0.00
TOTAL LONG TERM LIABILITIES	93,759,114.77	92,968,321.10
TOTAL LIABILITIES	116,045,190.31	102,153,396.40
NET INCOME/LOSS	-342,001.17	-411,376.23
EQUITY FUND BALANCE	-19,999,143.65	-20,372,651.01
TOTAL EQUITY AND FUND BALANCE	95,704,045.49	81,369,369.16



**Public Hospital District No. 4, King County
Finance Committee Minutes
June 3, 2020
11:00 am
Snoqualmie Valley Hospital,
Via Join.me**

Present:

David Speikers, Commissioner, Chair
Emma Herron, Commissioner
Patrick Ritter, CFO
Kim Witkop, MD, Interim CEO/CMO
Karyn Denton, COO/CNO
Jim Baldauf, Director of Finance

Guests:

Eric Nicholson, Moss Adams
Mathew Stopa, Moss Adams

PRESENTATION: The audit of the 2019 financials was reviewed and provided to the committee. Presentation slides were provided by Moss Adams. Some of the topics discussed were as follows:

- No issues discussed prior to our retention as auditors
- No disagreements with management
- No corrected/uncorrected adjustments
- No internal control deficiencies
- GASB Pronouncement Update: various statement delayed one year due to the impact of COVID-19
- Total Assets and Deferred Outflows of Resources and Total Liabilities
- Liabilities and Net Position
- Days Cash and Investments
(with Comparisons to 2018 Critical Access Hospitals (CAH))
- Days Net Revenue in Accounts Receivable
(with Comparisons to 2018 Critical Access Hospitals (CAH))

- Days Gross Revenue in Accounts Receivable
(with Comparisons to 2018 Critical Access Hospitals (CAH))
- Operating Revenues and Expenses
- Expenses as a Percentage of Operating Revenue
- Income Available for Debt Service

The audit and findings will be presented to the full board and public at the June 11, 2020 regular board meeting, which will again be held remotely due to COVID-19 and the extension of Proclamation 20-28 by Governor Inslee.

April 2020 Finances:

Income Statement:

Revenue:

- Net Position Gain of \$733,371
 - Additions
 - Inpatient Revenue of 2.7million
 - COVID CARES Funding 1.5million
 - SVH applied stimulus funds to balance sheet initially as a short-term liability. After each month end, if/when a revenue shortfall occurs, the stimulus fund liability decreases and operating income increases.
 - Detraction
 - Lab 20% under monthly budget
 - Rehab 36% under monthly budget
 - Clinic 33% under monthly budget
 - Imaging 41% under monthly budget
 - ER 52% under monthly budget
 - Endo 100% under budget

Expenses:

- Offsets
 - Salaries 3% under budget
 - Furloughed underutilized departments Therapy, Imaging, Clinic, Endo, Billing, Registration
 - Not replacing open positions in underutilized depts.
 - Utilities at 2% under Budget
 - Supplies 4% under budget
- Additions
 - Pro Fees are above budget COVID Related
 - Purchased Services

- Lab Revenues
- COVID related expenses
- Other Expenses
 - B&O Tax Increase (Payer Mix)

Balance Sheet:

- Assets
 - Cash increased by 17 million
 - CMS Advance 11 million
 - PPP 4 Million
 - CARES 2 Million
- Liabilities
 - Short Term Liabilities Increased 17 Million
 - CMS Advance 11 million
 - PPP 4 Million
 - CARES 2 Million

Cash Flow:

- Cash Up \$17 million
 - COVID Programs
 - Stimulus grant monies applied toward missed revenue for April resulting in a positive bottom line
 - Balance of stimulus monies remain as short term debt
 - Net Position Gain in April

AR Days:

- April AR days increased 65
 - More Inpatient Acute
 - More Commercial Swing Bed

Bond Covenants: (Snapshot forecast)

- Debt Coverage 1.50; requirement 1.20
- Reserve Requirement is at \$3,675,188 as required
- Days cash is 111; bond requirement is 60

2020 Cost Control Measures:

- Furloughs in areas/departments of less demand: Clinics, Endo, Imaging, Medical Records, Registration, PT/OT/Speech, Med Surg (Jan-Mar).
- Closed Gift Shop

- Not filling budgeted open positions: Dietary moved to 12 hour shifts, Clinic part-time MA, Clinic provider dropped to .8 FTE, and Endo Manager to lower cost Endo lead

COVID-19 Funding & Expenses Update:

- To date expenses total \$273,531 with \$240,974 for the month of April

PAYOR Mix:

	April	YTD 2020	Budget
Medicare	67%	65%	73%
Medicare HMO	10%	15%	14%
Triwest / L&I	4%	2%	1%
Commercial	15%	11%	6%
Medicaid	4%	6%	5%
Self-Pay	0%	0%	1%

Finance Committee presentation file contained errors labeled as March 2020 on page 6 and page 9. Corrected and attached provided to committee post meeting.

NEXT MEETING: Tuesday, July 7, 2020 – 11:30 am – Location TBD

Approved: June 3, 2020



FACILITIES COMMITTEE MEETING MINUTES

May 27, 2020

(Rescheduled from May 25, 2020)

Noon – 1:00 pm

Snoqualmie Valley Hospital

Via Teleconference

DIAL IN - 800.704.9804 | Participant Code: 98477739#

Committee Members:

Commissioner Kevin Hauglie, Chair

Commissioner Jen Carter

Karyn Denton, COO/CNO, Executive Chair

Kim Witkop, MD, Interim CEO/CMO

Patrick Ritter, CFO

Scott Nohavec, Facilities Director

Old Business: None

New Business:

1. **Maintenance Issues** – Door repair work performed on Emergency Department ambulance entry to install push plates and replacement of magnets. Now completed and fully operational.

2. **Facility Usage – As of April 2020**

- Due to COVID-19 all external uses of the community room are cancelled until further notice.

3. **Environment of Care:** Agenda format reflects categories covered in the EOC Management Plan

Emergency Management – Continue in external triage due to pandemic. COVID response team now on weekly meeting status unless emergent issues develop.

Fire Safety Management – No report

Hazardous Materials Waste Management: No report.

Medical Equipment Management –

- PPE supplies remain at an adequate level; mask conservation strategies remain in place. There is continued usage of the UV light boxes which were implemented and reported on last month. These permit sanitization of masks and other small pieces of equipment.
- We have implemented mandatory masking of staff when within 6 ft. of patients.
- Digital scan thermometers (no touch) in place at all temp monitoring stations.
- We have also begun the planning for increasing equipment supplies and creating storage for any surge in the fall for the flu season and any resurgence or continuation of COVID.

Physical Plant – COVID testing center has continued as a “drive through” site, permitting staff to obtain patient samples from patient in vehicles.

Safe Patient Handling – No report

Safety Management - Continued adherence to CDC and DOH guidelines regarding visitors, staff and patients. At this time, there is no date for these guidelines to change.

Security Management – Remain vigilant to vendors/visitors entering premises, continued temp monitoring and mask distribution to all individuals entering the building. There are no plans to change visitor policy at this time.

Utilities management – No report.

East Campus: Seasonal and routine maintenance underway on building and adjacent property including paint refresh, deck repairs, gutter and drain cleaning.

OTHER

1. **Certificate of Occupancy update.** There is continued work with Absher and the City of Snoqualmie to resolve outstanding issues of the ADA ramps. Absher is to provide documentation to the City that the ramps were previously approved by Perteet and should not be a barrier to finalizing the Certificate of Occupancy. There is a follow up meeting scheduled for 5/27.

Next meeting: June 22, 2020 – Noon – 1:00 pm – Location TBD

Approved: May 29, 2020