



**Ferry County Public Hospital
District No. 1
doing business as
Ferry County Memorial
Hospital**

**Presentation to the Board of Directors
December 31, 2018**

Dingus, Zarecor & Associates PLLC (DZA)

- CPA firm specialized in healthcare (over 95%)
- CPA firm specialized in critical access hospitals (over 65 served)
- Audit
- Medicare and Medicaid reimbursement
- IRS Form 990
- Consulting

Agenda

- Independent auditors' report
- Financial statements key points
- Financial indicators
- Required communication with those charged with governance

Independent Auditors' Report

- Unqualified opinion
- Financial statements ***present fairly*** the financial position, changes in financial position, and cash flows

Financial Statements

Ferry County Public Hospital
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Assets

ASSETS	2018	2017
<i>Current assets</i>		
Cash and cash equivalents	\$ 3,519,111	\$ 911,769
Receivables:		
Patient accounts, net of estimated uncollectibles	1,551,887	1,676,268
Taxes	20,254	20,760
Estimated third-party payor settlements	10,000	385,745
Electronic health records	255,268	174,365
Cash and cash equivalents restricted for bond repayment	260,198	257,921
Inventories	166,268	207,887
Prepaid expenses	31,202	139,936
Total current assets	5,814,188	3,774,651
<i>Noncurrent assets</i>		
Capital assets, net of accumulated depreciation	5,793,069	6,357,463
Total noncurrent assets	5,793,069	6,357,463
Total assets	\$ 11,607,257	\$ 10,132,114

Liabilities and Net Position

LIABILITIES AND NET POSITION	2018	2017
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 166,433	\$ 173,839
Current maturities of capital lease obligations	93,022	115,721
Estimated third-party payor settlements	61,000	31,667
Accounts payable	394,756	228,160
Accrued compensation and related liabilities	615,265	391,626
Accrued interest payable	181,800	233,314
Total current liabilities	1,512,276	1,174,327
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	5,148,090	5,469,295
Capital lease obligation, less current maturities	129,400	216,378
Total noncurrent liabilities	5,277,490	5,685,673
Total liabilities	6,789,766	6,860,000
<i>Net position</i>		
Net investment in capital assets	74,324	148,916
Restricted for debt service	260,198	257,921
Unrestricted	4,482,969	2,865,277
Total net position, as restated	4,817,491	3,272,114
Total liabilities and net position, as restated	\$ 11,607,257	\$ 10,132,114

Operating Results

	2018	2017
<i>Operating revenues</i>		
Net patient service revenue	\$ 12,368,253	\$ 10,049,365
Electronic health records incentive payment	255,268	174,365
Grants	162,456	35,796
Other	106,626	151,172
Total operating revenues	12,892,603	10,410,698
<i>Operating expenses</i>		
Salaries and wages	5,780,619	5,132,089
Employee benefits	1,424,827	1,373,010
Professional fees	1,229,349	712,762
Purchased services	949,219	1,580,536
Supplies	860,128	667,497
Utilities	224,707	222,466
Rentals and leases	14,736	114,774
Repairs and maintenance	215,419	162,679
Depreciation and amortization	609,311	648,579
Insurance	78,306	82,606
Other	4,279	301,403
Total operating expenses	11,390,900	10,998,401
<i>Operating income (loss)</i>	1,501,703	(587,703)

Nonoperating Results

	2018	2017
<i>Nonoperating revenues (expenses)</i>		
Tax revenue	261,228	249,265
Nonoperating revenue	1,125	1,655
Contributions	5,000	1,706
Interest expense	(246,871)	(257,029)
Interest income	23,192	6,813
Total nonoperating revenues, net	43,674	2,410
Change in net position	1,545,377	(585,293)
Net position, beginning of year, as restated	3,272,114	3,857,407
Net position, end of year, as restated	\$ 4,817,491	\$ 3,272,114

Cash Flows

	2018	2017
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 12,897,712	\$ 9,707,315
Cash received from electronic health records incentive payment	174,365	-
Cash received from operating grants	162,456	35,796
Cash received from other revenue	106,626	209,739
Cash paid to and on behalf of employees	(6,981,807)	(6,645,806)
Cash paid to suppliers and contractors	(3,259,194)	(3,946,867)
Net cash provided by (used in) operating activities	3,100,158	(639,823)
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	261,734	238,201
Nonoperating activities	1,125	1,655
Contributions	5,000	1,706
Net cash provided by noncapital financing activities	267,859	241,562
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(44,917)	(118,285)
Principal paid on long-term debt	(328,611)	(167,380)
Principal paid on capital lease obligations	(109,677)	(190,280)
Interest paid on long-term debt	(298,385)	(207,543)
Net cash used in capital and related financing activities	(781,590)	(683,488)
<i>Cash flows from investing activities</i>		
Interest received	23,192	6,813
Net increase in cash and cash equivalents	2,609,619	(1,074,936)
Cash and cash equivalents, beginning of year	1,169,690	2,244,626
Cash and cash equivalents, end of year	\$ 3,779,309	\$ 1,169,690

Notes to Financial Statements

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Notes to the Financial Statements

- Notes serve three purposes:
 - Description of reporting entity
 - How account balances and transactions are recognized and reported in the financial statements
 - Details for significant account balances

Notes to Financial Statements – Long Term Debt

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amount Due Within One Year
<i>Bonds and Notes Payable</i>					
Tax Exempt Revenue Bond	\$ 4,382,920	\$ -	\$ (76,555)	\$ 4,306,365	\$ 79,712
Key Government Finance, Inc.	1,093,095	-	(84,937)	1,008,158	86,721
Key Government Finance, Inc. – 2015	167,119	-	(167,119)	-	-
Total bonds and notes payable	5,643,134	-	(328,611)	5,314,523	166,433
<i>Capital lease obligations</i>	332,099	-	(109,677)	222,422	93,022
Total long-term debt and capital lease obligations	\$ 5,975,233	\$ -	\$ (438,288)	\$ 5,536,945	\$ 259,455

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amount Due Within One Year
<i>Bonds and Notes Payable</i>					
Tax Exempt Revenue Bond	\$ 4,456,442	\$ -	\$ (73,522)	\$ 4,382,920	\$ 76,555
Key Government Finance, Inc.	1,174,623	-	(81,528)	1,093,095	84,954
Key Government Finance, Inc. – 2015	179,449	-	(12,330)	167,119	12,330
Total bonds and notes payable	5,810,514	-	(167,380)	5,643,134	173,839
<i>Capital lease obligations</i>	522,379	7,500	(197,780)	332,099	115,721
Total long-term debt and capital lease obligations	\$ 6,332,893	\$ 7,500	\$ (365,160)	\$ 5,975,233	\$ 289,560

Net Patient Service Revenue

	2018	2017
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 5,932,731	\$ 5,488,974
Medicaid	2,845,752	2,240,816
Other third-party payors	2,609,486	1,978,622
Patients	995,420	1,028,892
340B contract pharmacy	578,805	-
	12,962,194	10,737,304
Less:		
Charity care	342,975	332,576
Provision for bad debts	250,966	355,363
Net patient service revenue	\$ 12,368,253	\$ 10,049,365

Auditors' Report on Internal Controls

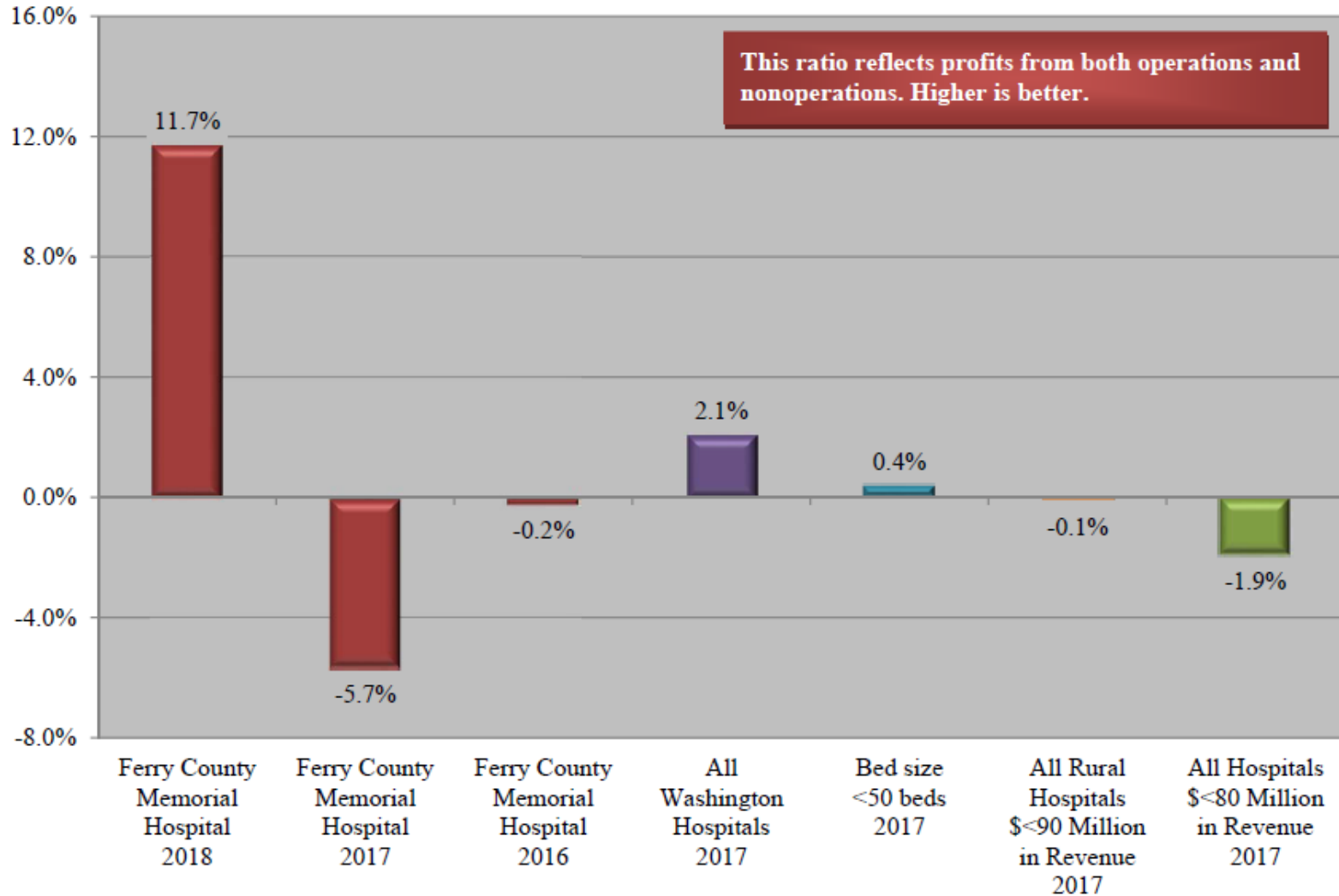
- Material weaknesses
 - Auditor-Detected Adjusting Journal Entries
 - Medicaid electronic health records incentive revenue
 - Health insurance expense
 - Prior Period Adjustments
 - Laboratory inventory
 - Medicaid electronic health records incentive revenue
 - Allowance for contractual adjustments

Financial Indicators

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Total Margin

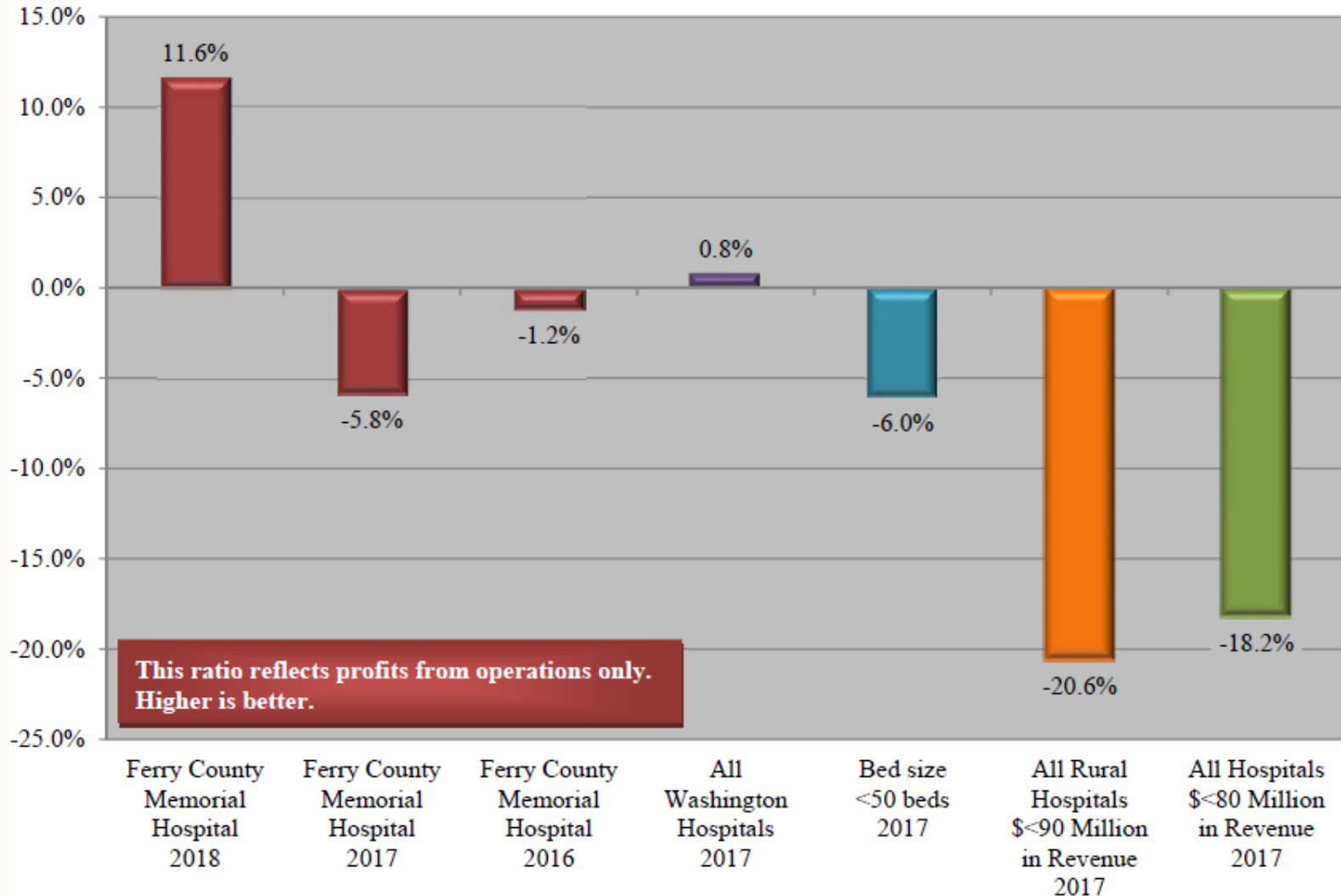
Change in Net Position
Total Revenues



Operating Margin

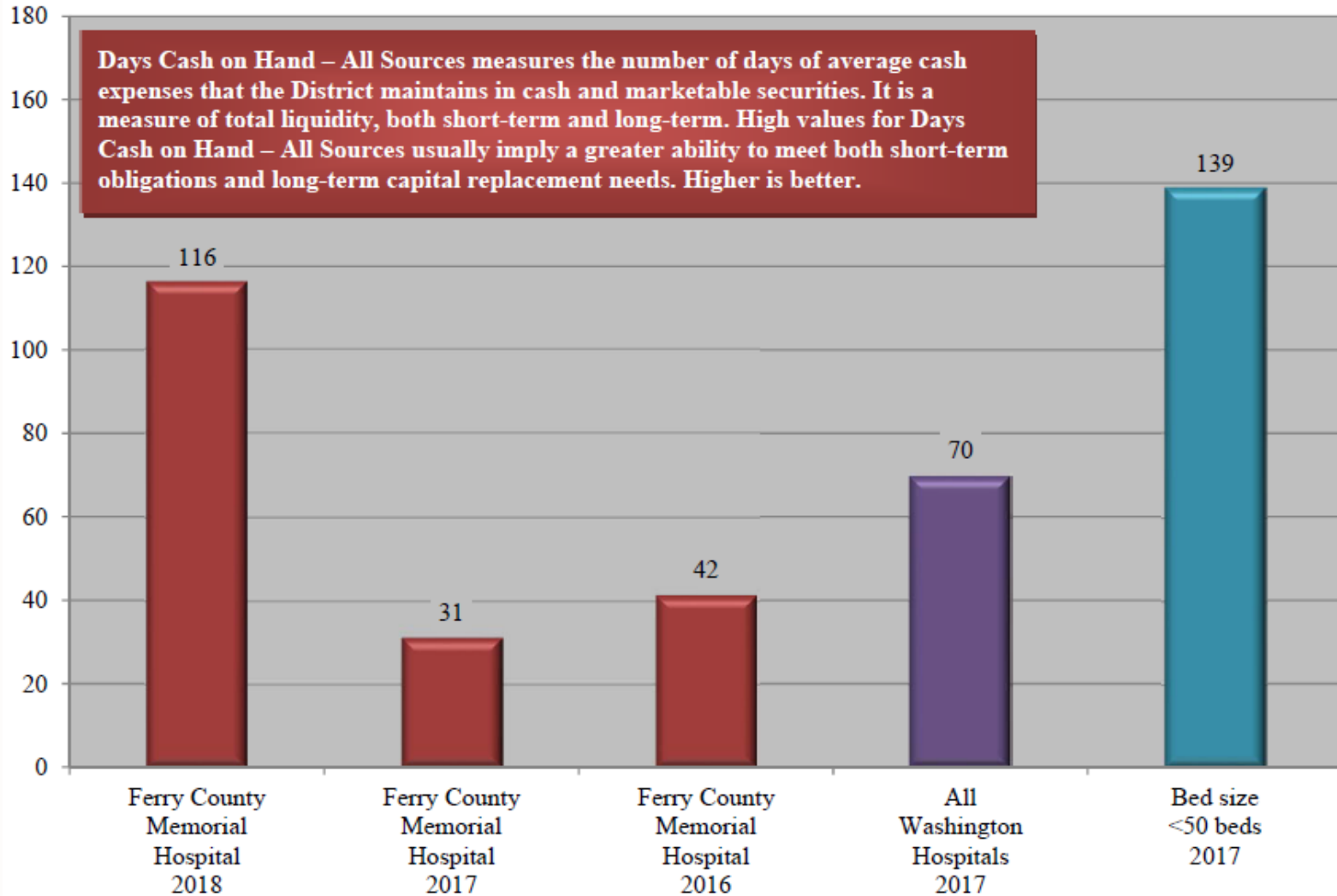
Operating Income (Loss)

Total Operating Revenues



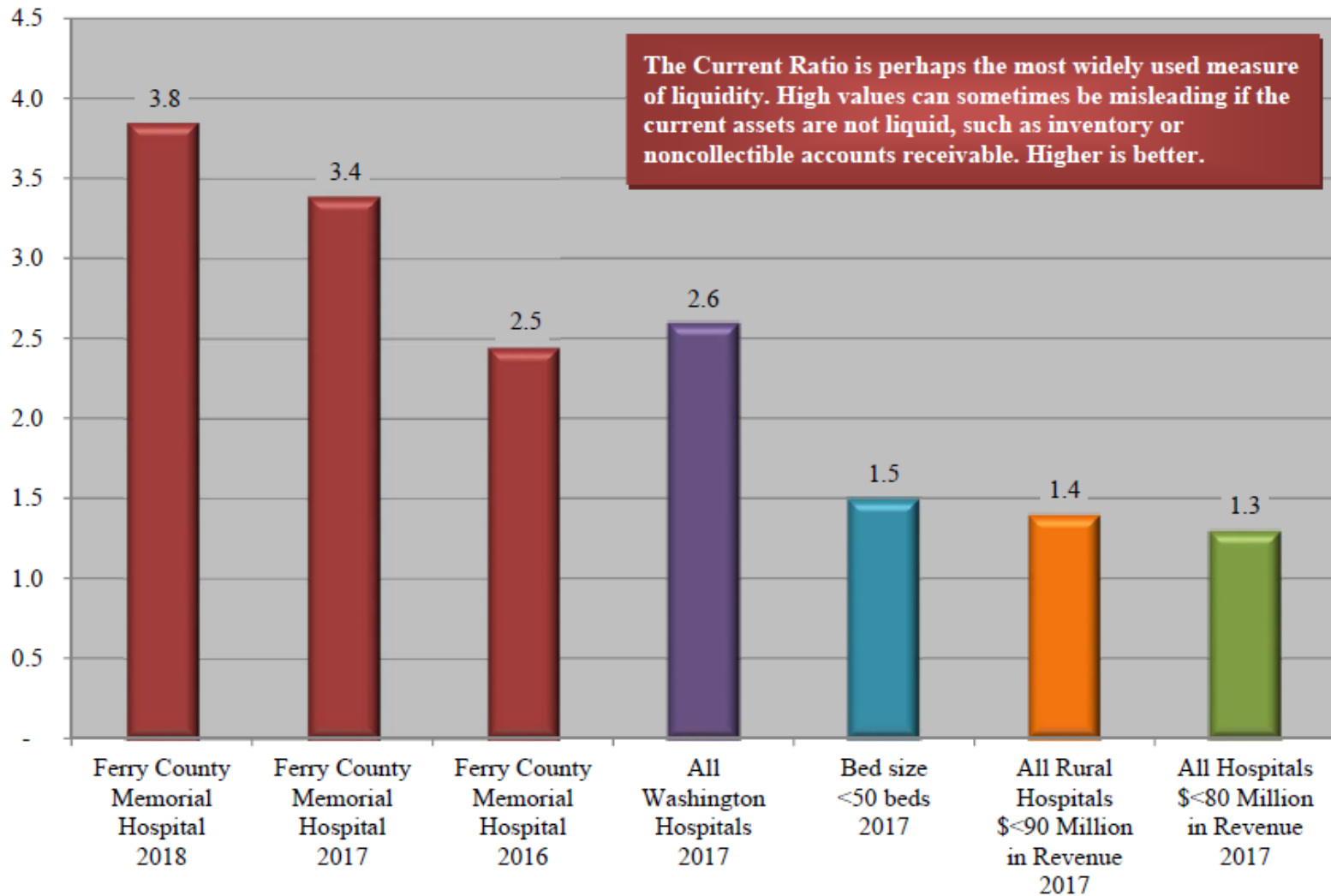
Days Cash on Hand – All Sources

$$\frac{\text{Cash} + \text{Short-Term Investments} + \text{Unrestricted Long-Term Investments}}{(\text{Total Expenses} - \text{Depreciation}) / 365}$$



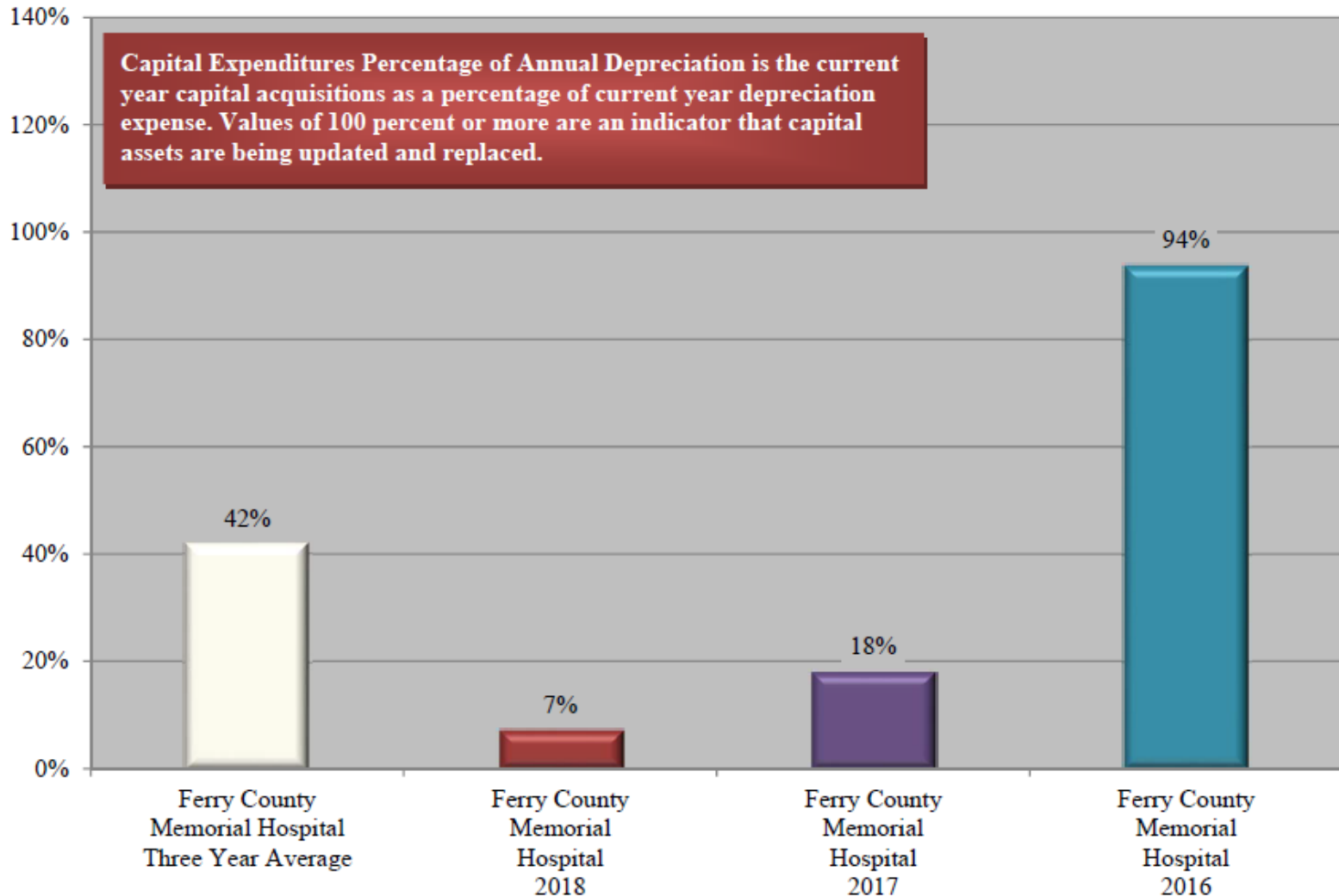
Current Ratio

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

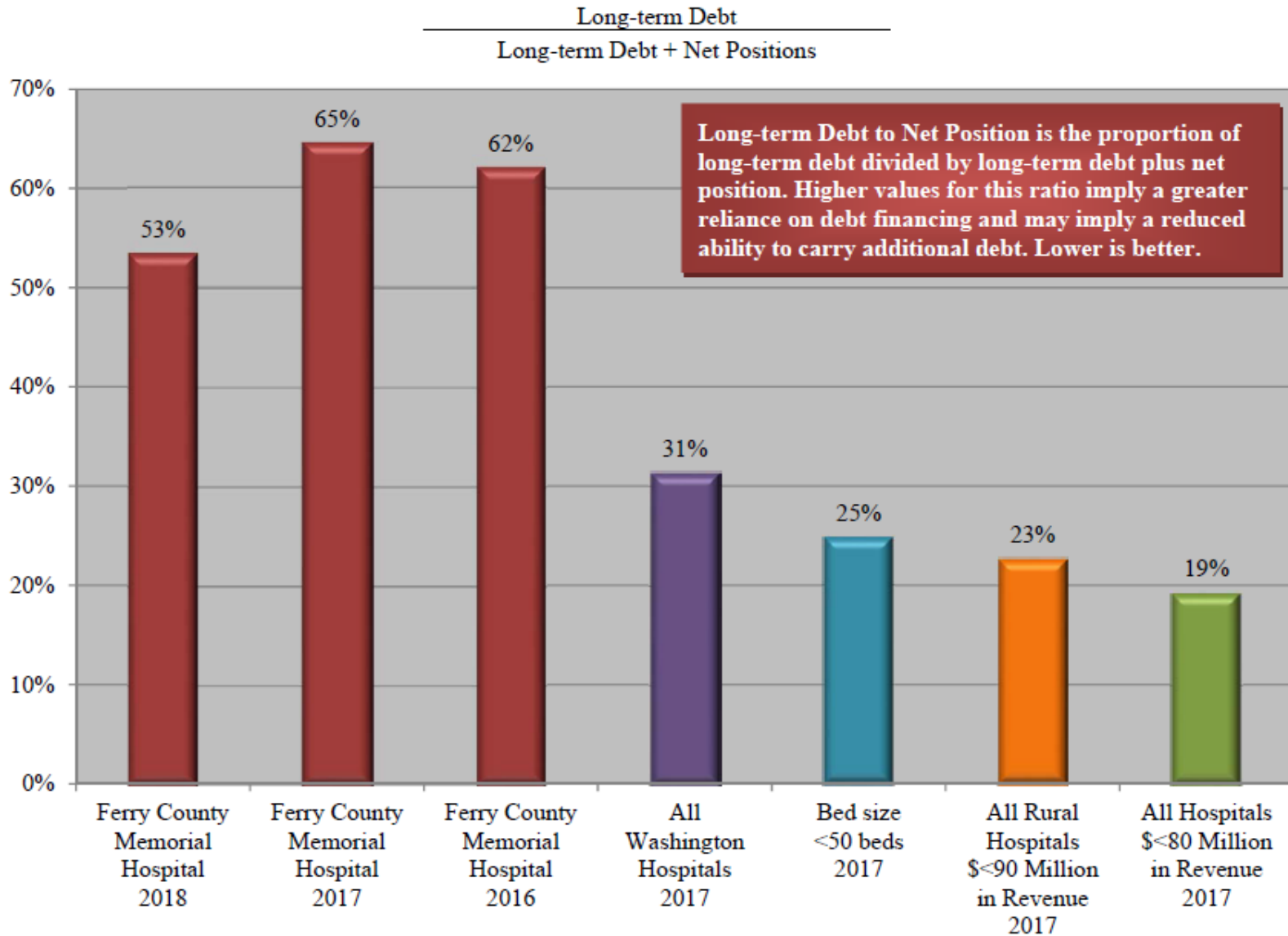


Capital Expenditures Percentage of Annual Depreciation

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

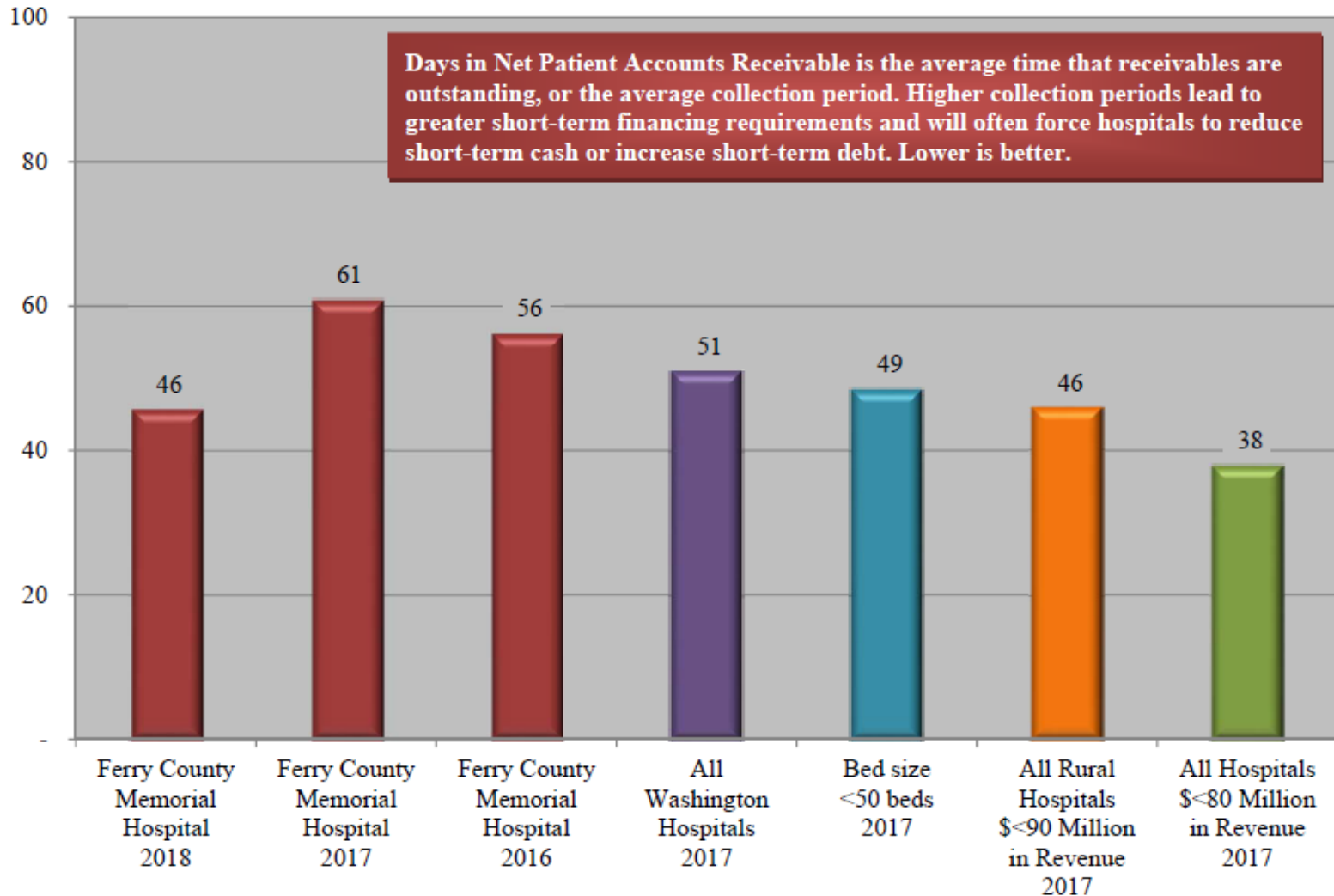


Long-term Debt to Net Position



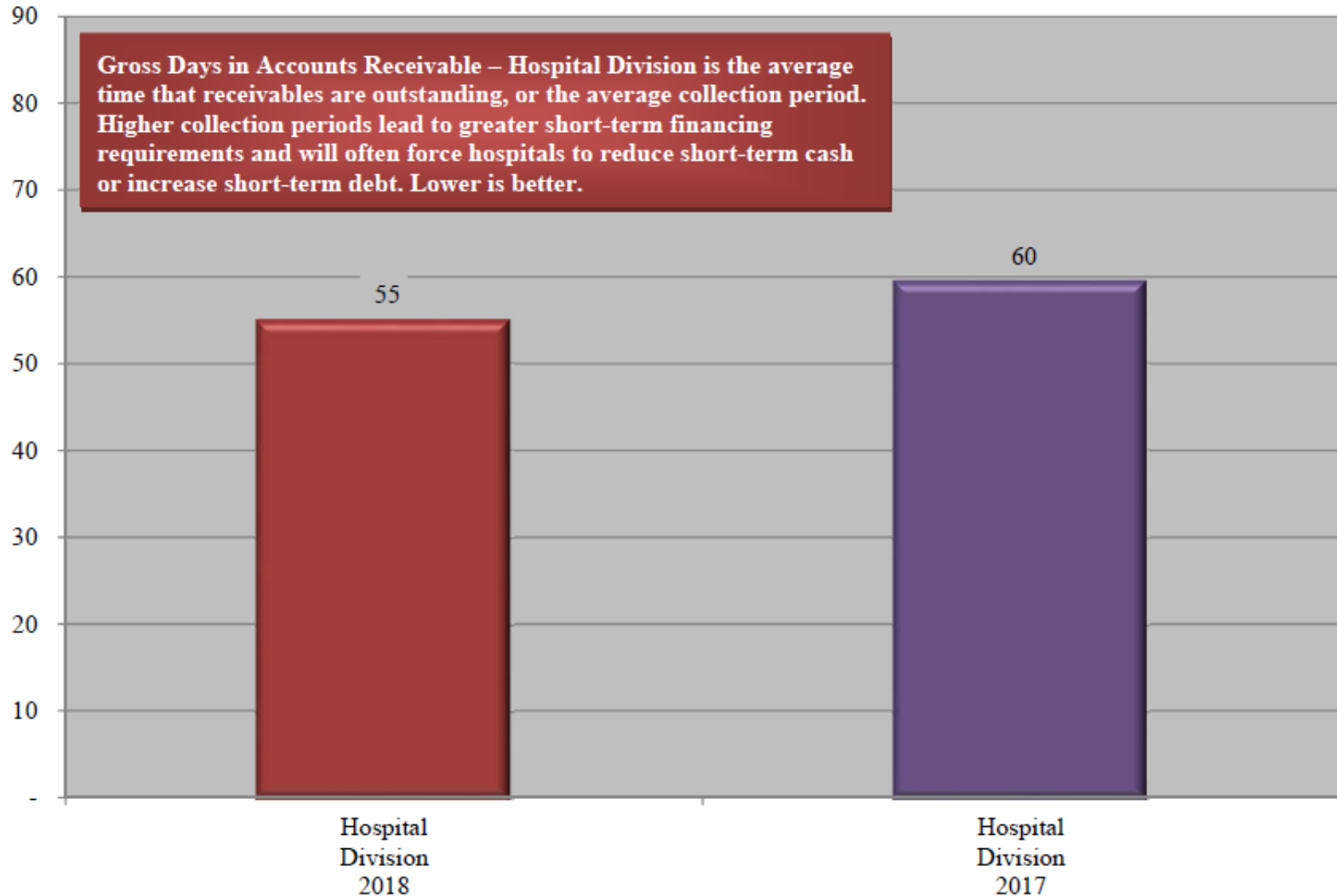
Days in Net Patient Accounts Receivable

$$\frac{\text{Net Patient Accounts Receivable}}{\text{Net Patient Service Revenues} / 365}$$



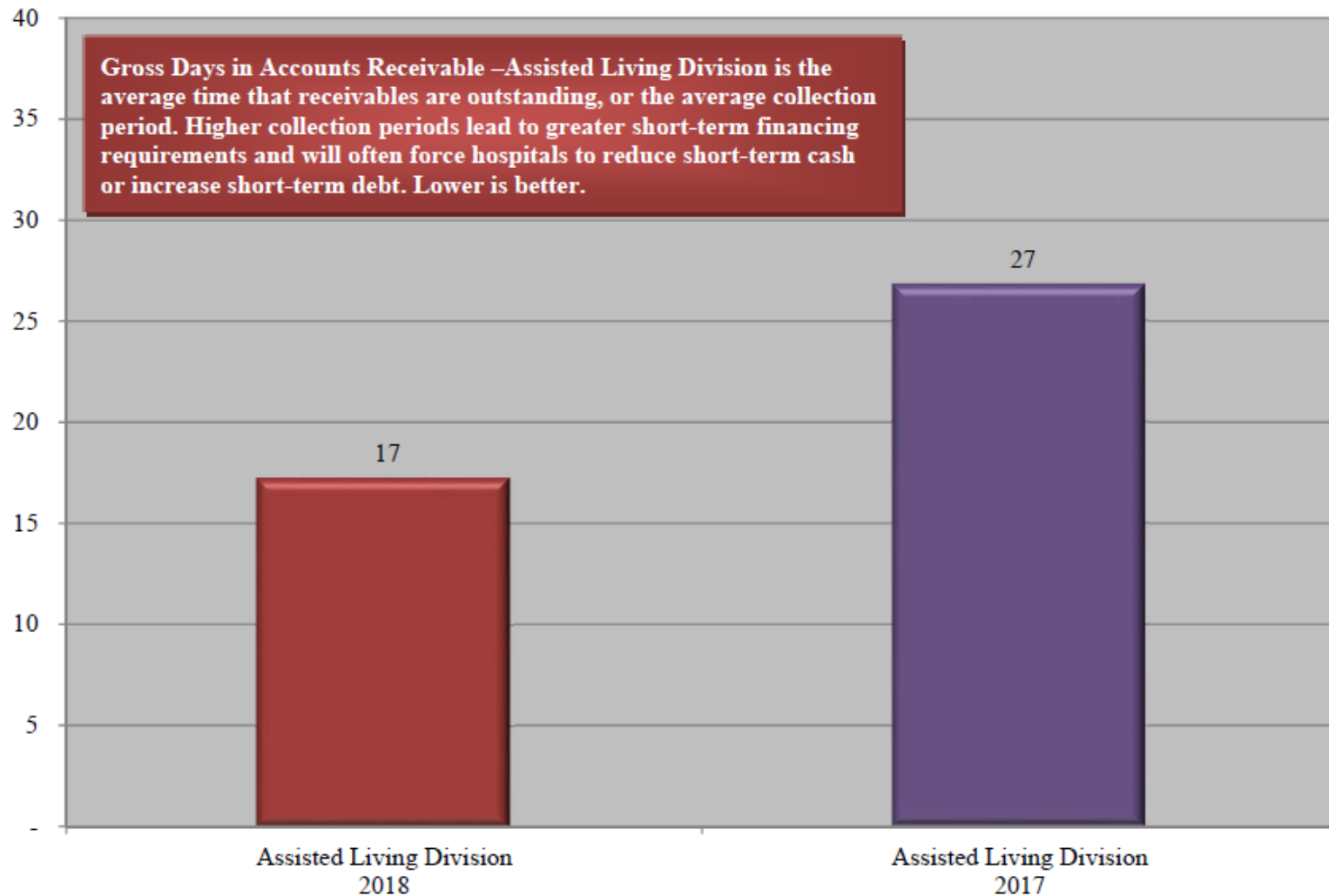
Gross Days in Accounts Receivable – Hospital Division

Hospital Division Accounts Receivable
Hospital Division Average Daily Revenue



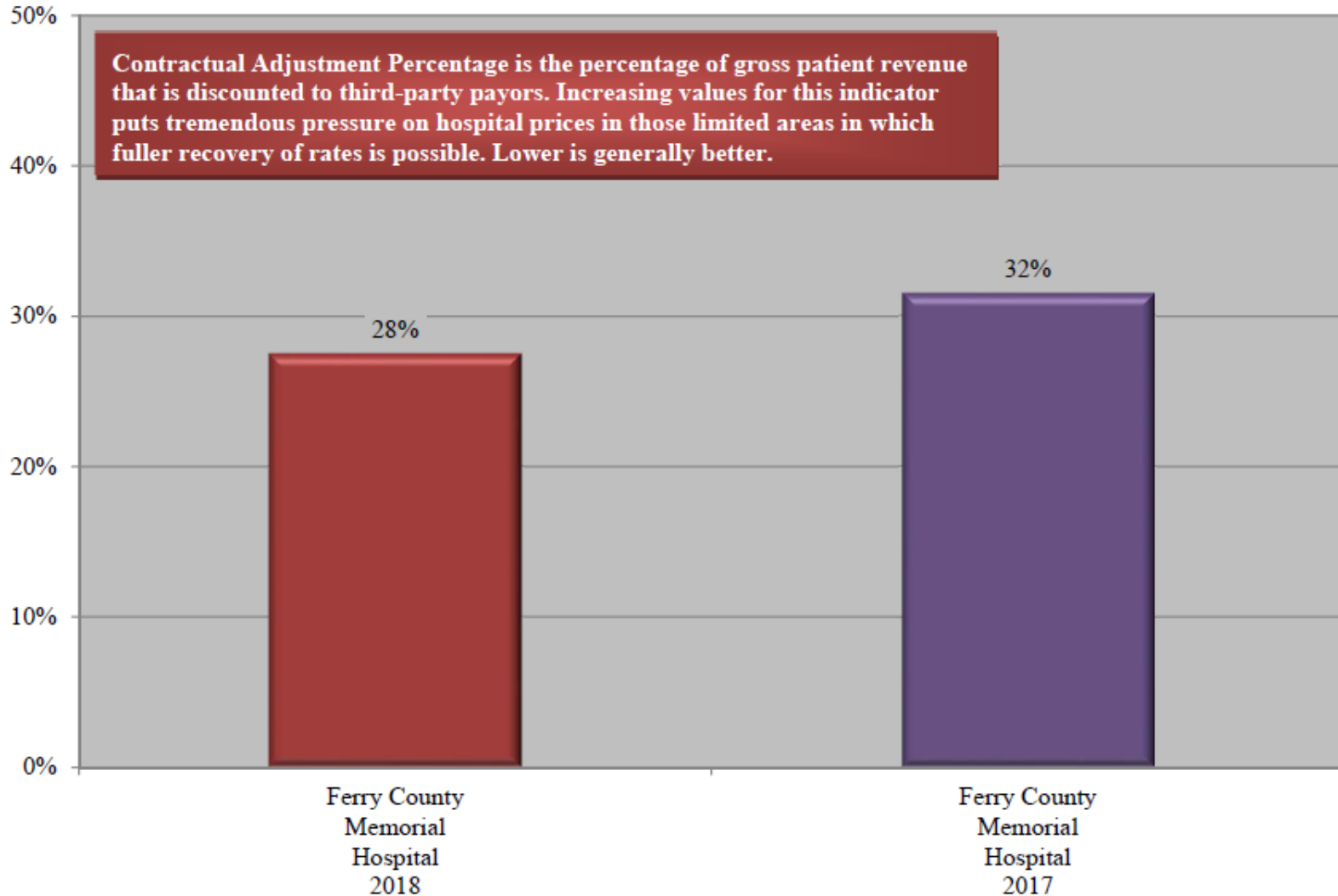
Gross Days in Accounts Receivable – Assisted Living Division

$$\frac{\text{Assisted Living Division Accounts Receivable}}{\text{Assisted Living Division Average Daily Revenue}}$$



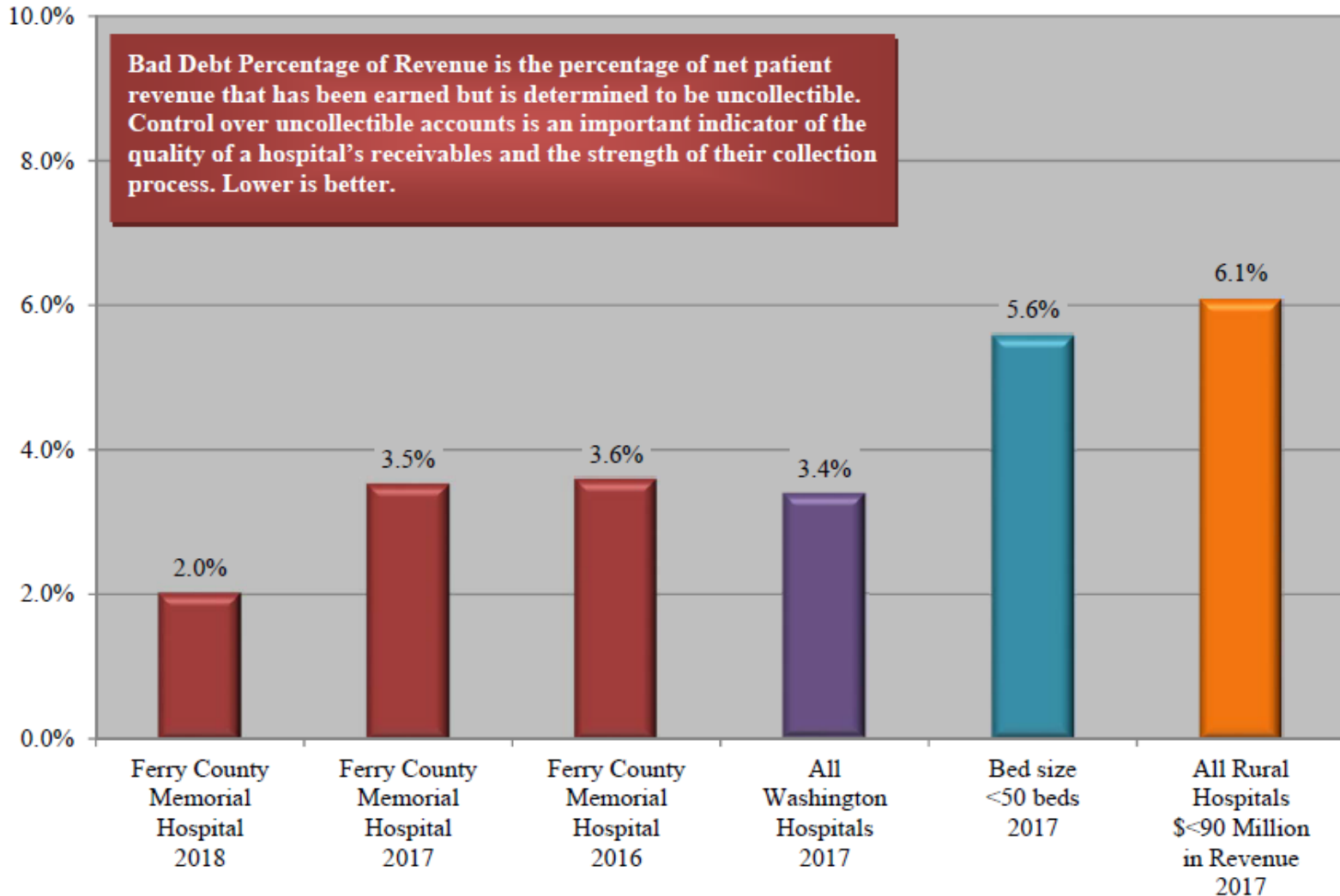
Contractual Adjustment Percentage

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



Bad Debt Percentage of Revenue

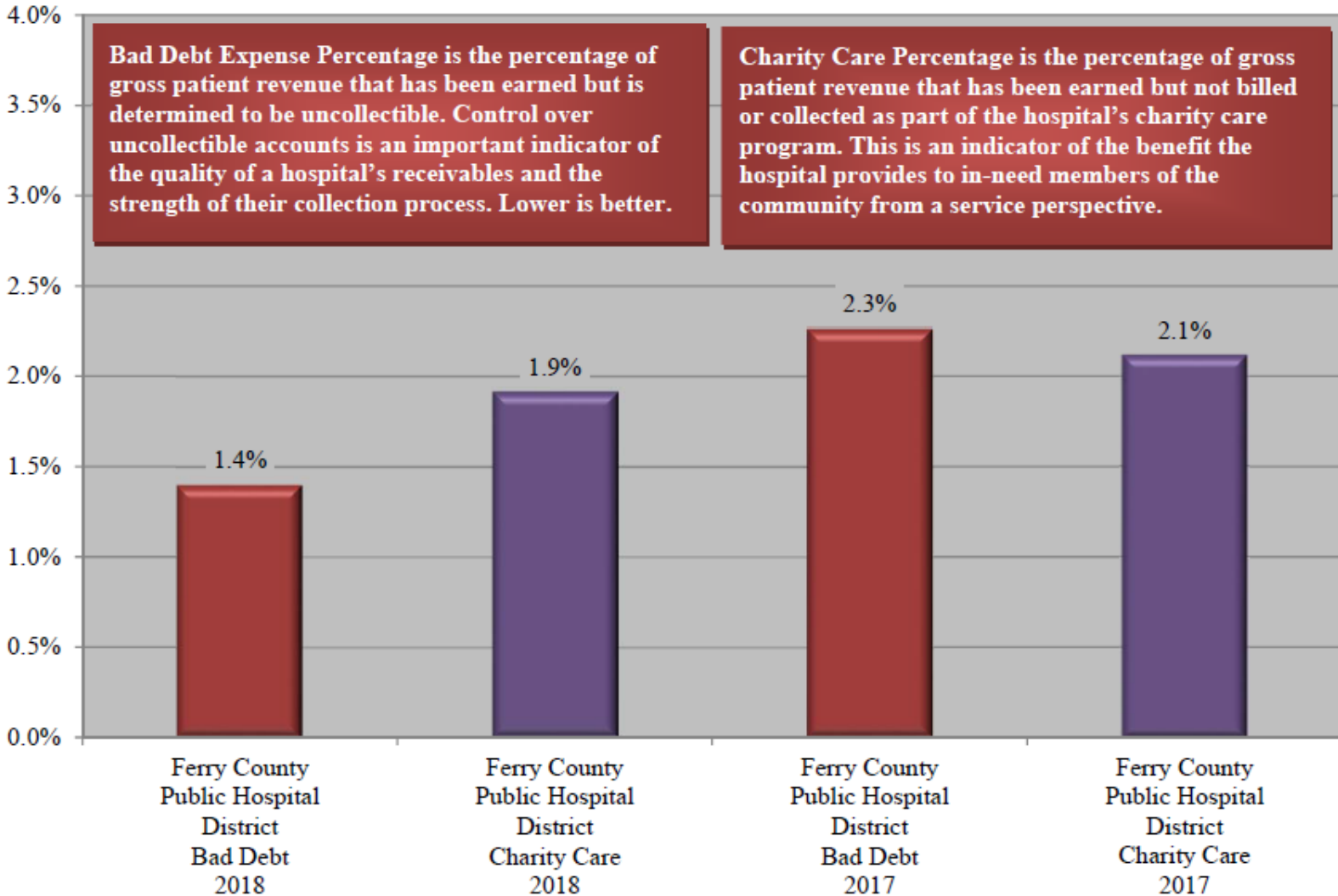
Provision for Bad Debt
Net Patient Services Revenue



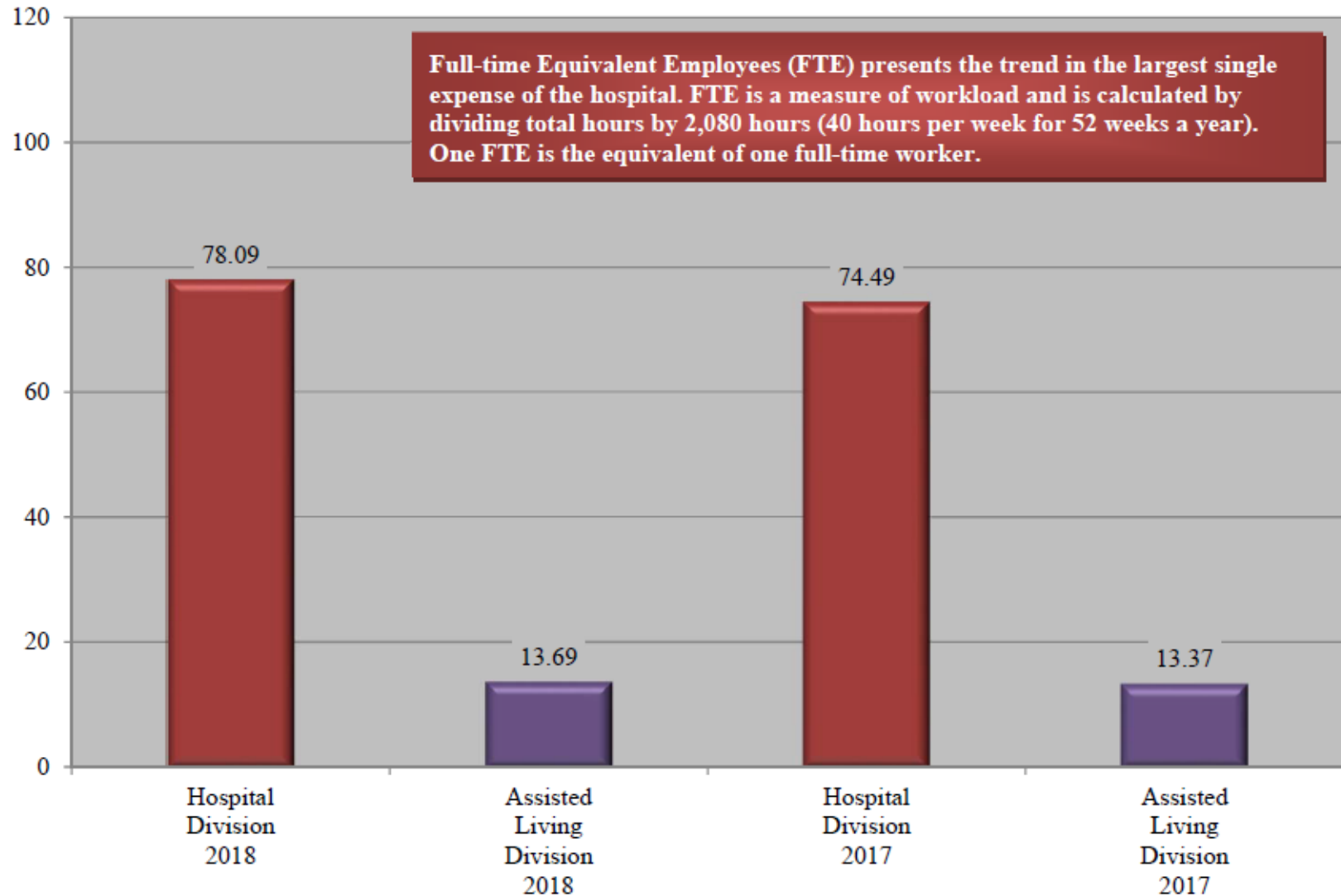
Bad Debt Expense and Charity Care Percentage

Provision for Bad Debt
Gross Patient Revenue

Charity Care
Gross Patient Revenue



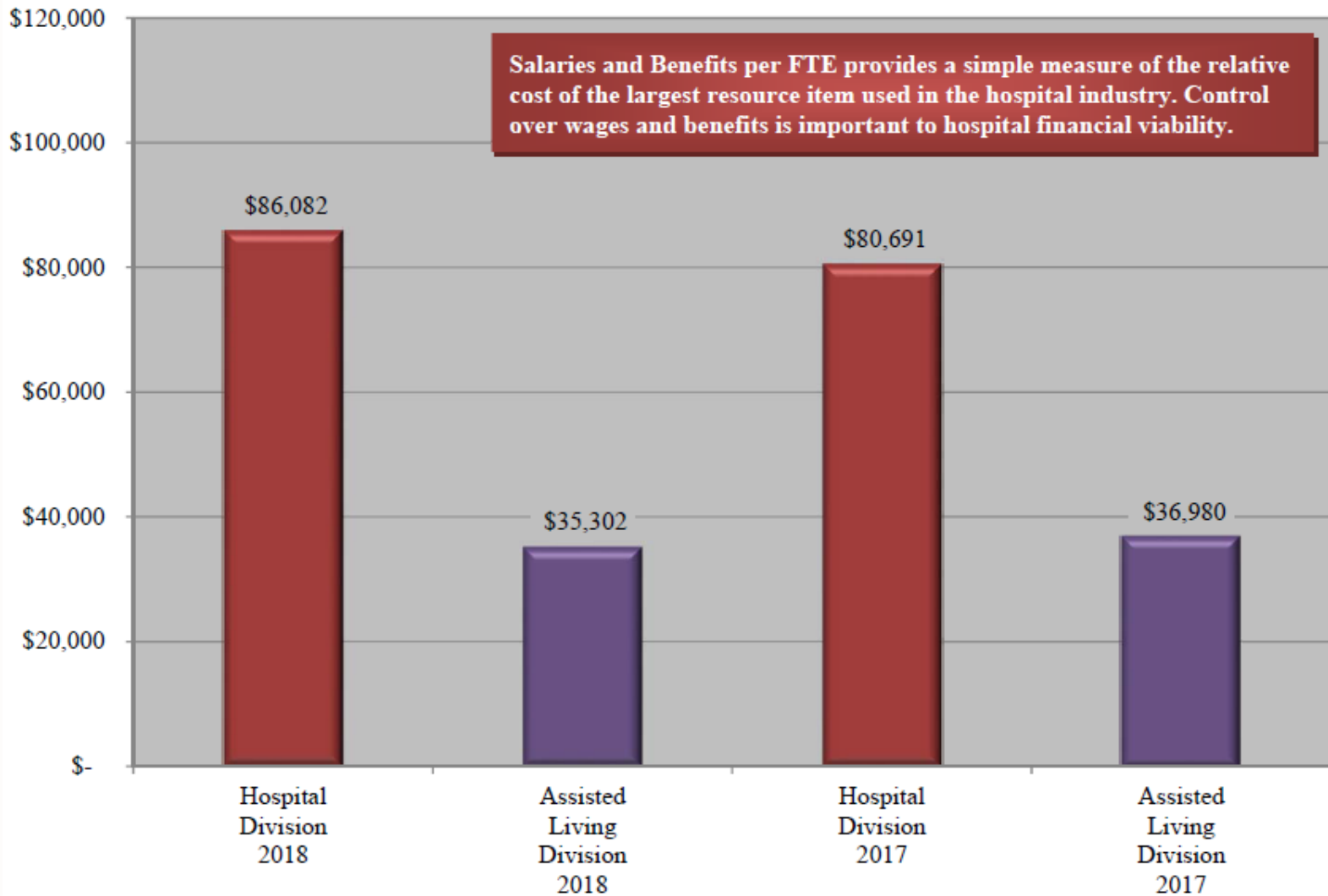
Full-time Equivalent Employees (FTE)



Salaries and Benefits per FTE

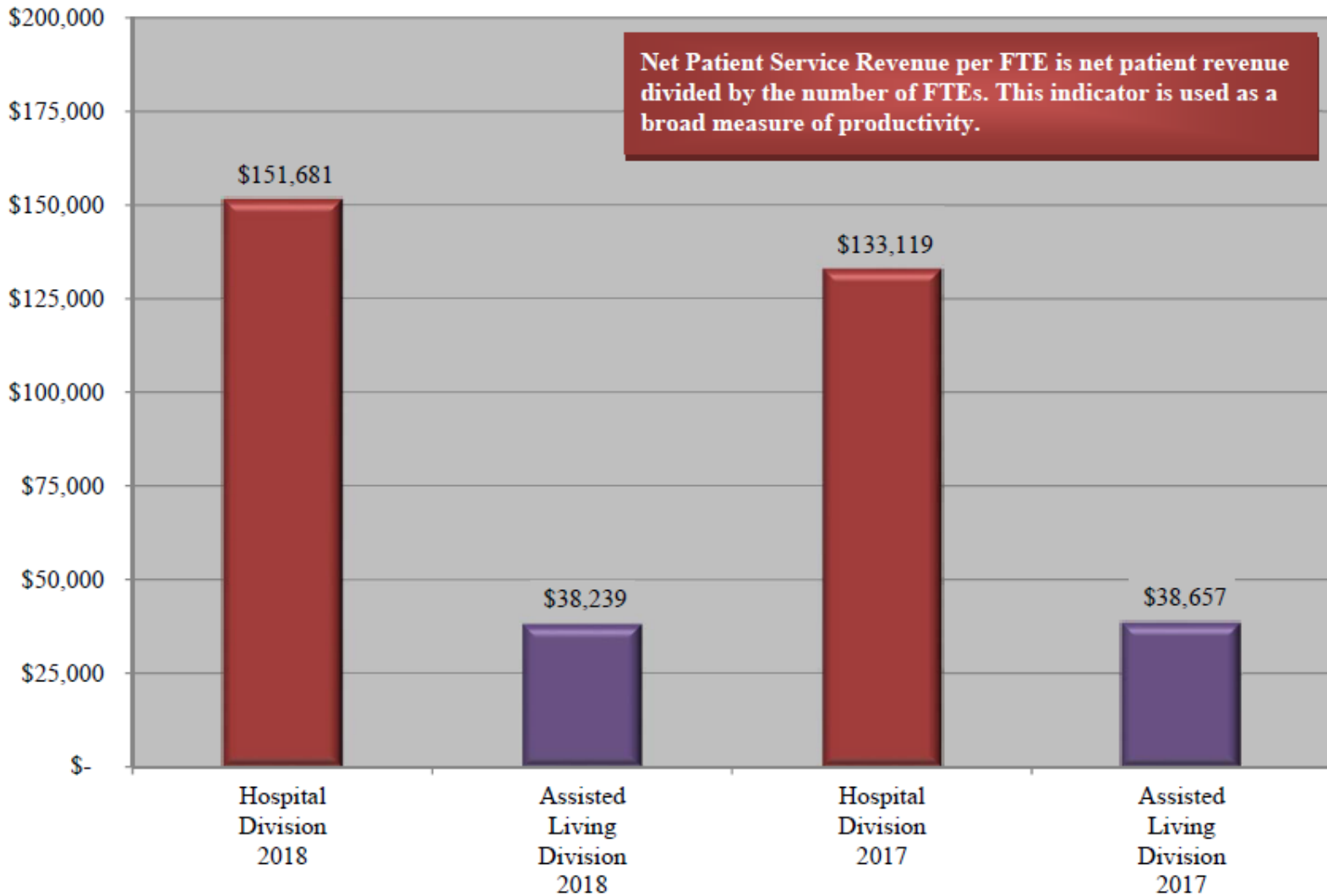
Total Salaries & Employee Benefits

FTEs by Division



Net Patient Service Revenue per FTE

Net Patient Service Revenue
FTEs by Division



Required Communications

- Accounting policies
- Accounting estimates
 - Allowance for uncollectible accounts and contractual adjustments
 - Medicare and Medicaid cost report settlements
 - Electronic health records incentive revenue

Required Communications

- Corrected and uncorrected misstatements
 - No uncorrected misstatements
- No disagreements with management
- Management representations
- No management consultation with other independent accountants
- Supplementary information




DZA

DINGUS, ZARECOR &
ASSOCIATES

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