

Jefferson County Public Hospital District No.2
Board of Commissioners, Special Session Minutes
Wednesday, June 6, 2018
Victor J. Dirksen Conference Room

Call to Order:

The meeting was called to order at 3:30pm by Board Chair, Buhler. Present were Commissioners Dressler, McComas, and Ready. Mike Glenn, Chief Executive Officer, Hilary Whittington, Chief Administrative Officer/Chief Financial Officer, Lisa Holt, Chief Ancillary and Specialty Services Officer, Joyce Cardinal, interim Chief Nursing Officer, and Alyssa Rodrigues, Administrative Assistant were also in attendance. This meeting was officially audio recorded by Jefferson Healthcare.

Independent Auditors Report:

The purpose of this special session is to receive the annual Independent Auditors Report from Tom Dingus, Zarecor & Associates, PLLC. The report will include a review of the 2017 financial statement audit and related financial statements, single audit report, and communication with those charged with governance. No action will be taken.

Tom Dingus presented the 2017 financial statement audit and related financial statements, single audit report.

Discussion ensued.

Conclude:

Commissioner Dressler made a motion to conclude the meeting. Commissioner Ready seconded the motion.

Action: Motion passed unanimously.

Meeting concluded at 4:11pm.

Approved by the Commission:

Chair of Commission: Jill Buhler _____

Secretary of Commission: Marie Dressler _____



Dingus, Zarecor & Associates (DZA)

- CPA firm specialized in healthcare (over 95%)
- CPA firm specialized in critical access hospitals (over 75 served)
- Audit
- Medicare and Medicaid reimbursement
- IRS Form 990
- Consulting

DZ
DINGUS | ZARECOR & ASSOCIATES P.C.
Certified Public Accountants

Agenda

- Audited financial statements
- Financial indicators
- Required communication with those charged with governance



Independent Auditors' Report

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



Management's Discussion and Analysis

- Prepared by management
- Condensed financial statements
- Narrative



Assets

ASSETS	2017	2016
<i>Current assets</i>		
Cash and cash equivalents	\$ 5,247,535	\$ 3,653,742
Receivables:		
Patients, less allowances for uncollectible accounts of \$3,643,000 and \$3,472,000, respectively	11,489,852	10,371,480
Estimated third-party payor settlements	6,378,144	7,757,450
Electronic health records incentive payments	-	123,196
340b contract pharmacies	384,084	583,082
Other	331,806	155,988
Inventories	2,054,189	1,818,099
Prepaid expenses and other assets	1,016,175	810,770
Cash and cash equivalents restricted or limited as to use	20,679,142	20,240,390
Taxes receivable restricted or limited as to use	10,106	10,482
Total current assets	47,591,033	45,524,679
<i>Noncurrent assets, capital assets, net</i>	44,495,901	41,068,450
Total assets	\$ 92,086,934	\$ 86,593,129

Liabilities and Net Position

LIABILITIES AND NET POSITION	2017	2016
<i>Current liabilities</i>		
Accounts payable	\$ 3,401,107	\$ 3,860,940
Accrued payroll and related liabilities	1,617,677	1,323,047
Accrued paid time off	2,839,919	2,628,087
Accrued interest payable	329,316	4,063
Electronic health records incentive payback	276,085	-
Current portion of long-term debt	1,176,850	568,685
Total current liabilities	9,640,954	8,384,822
<i>Noncurrent liabilities</i>		
Long-term debt, net of current portion	29,728,644	28,071,741
Accounts payable, capital	1,748,569	1,797,147
Total noncurrent liabilities	31,477,213	29,868,888
Total liabilities	41,118,167	38,253,710
<i>Net position</i>		
Net investment in capital assets	11,512,522	10,626,814
Restricted under bond agreements	1,626,907	544,634
Unrestricted	37,829,338	37,167,971
Total net position	50,968,767	48,339,419
Total liabilities and net position	\$ 92,086,934	\$ 86,593,129

Medicare and Medicaid Cost Report Settlements

- Medicare
- Medicaid
- Rural health clinic Medicaid managed care reconciliations

Operating Results

	2017	2016
<i>Operating revenues</i>		
Net patient service revenue, net of provision for bad debts of \$2,778,473 and \$2,807,357, respectively	\$ 96,471,090	\$ 85,362,227
Electronic health records incentive payments (payback)	(139,301)	182,750
340b contract pharmacies	2,953,967	3,202,317
Grants	18,636	74,597
Other	1,664,111	1,059,317
Total operating revenues	100,968,503	89,881,208
<i>Operating expenses</i>		
Salaries and wages	49,279,454	42,217,029
Employee benefits	11,814,074	9,864,583
Professional fees	6,406,687	4,841,379
Purchased services	5,073,110	4,950,924
Supplies	15,499,545	13,387,127
Insurance	608,885	676,041
Leases and rentals	1,403,953	1,404,703
Depreciation and amortization	4,413,391	4,065,182
Repairs and maintenance	546,341	682,861
Utilities	1,018,815	836,749
Licenses and taxes	662,397	628,169
Other	1,659,384	1,871,549
Total operating expenses	98,386,036	85,426,296
Operating income	2,582,467	4,454,912

Nonoperating Results

	2017	2016
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	441,328	443,447
Taxation for debt service	13,883	11,312
Investment income	144,451	103,462
Interest expense	(893,613)	(541,665)
Gain (loss) on disposal of capital assets	(30,218)	39,355
Contributions	371,050	58,535
Total nonoperating revenues, net	46,881	114,446
 Change in net position	 2,629,348	 4,569,358
Net position, beginning of year	48,339,419	43,770,061
Net position, end of year	\$ 50,968,767	\$ 48,339,419

Notes to the Financial Statements

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



Notes to Financial Statements – Key Points

- Upcoming accounting pronouncements – Note 1
- Capital assets – Note 6
- Long-term debt – Note 7
 - Terms
 - Future debt service
- Operating leases – Note 8
- Net patient service revenue – Note 9



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- Government Auditing Standards
- No material weaknesses or significant deficiencies reported

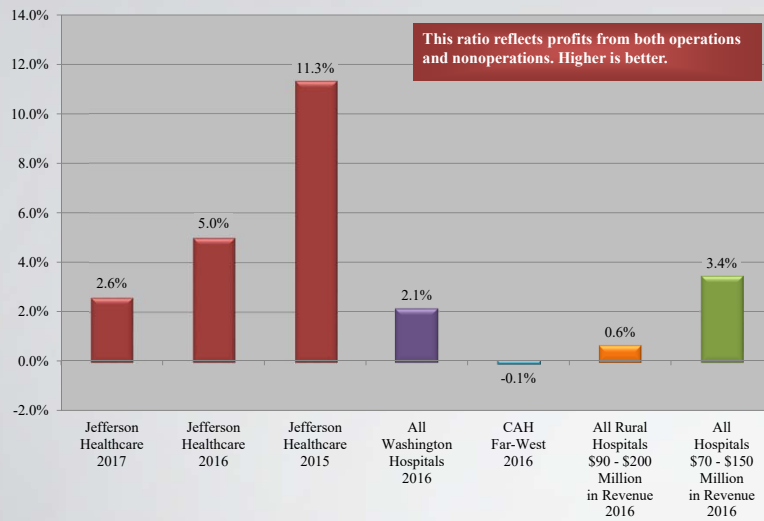


Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

- Single Audit
- Over \$750,000 in federal awards
- USDA
- No findings reported

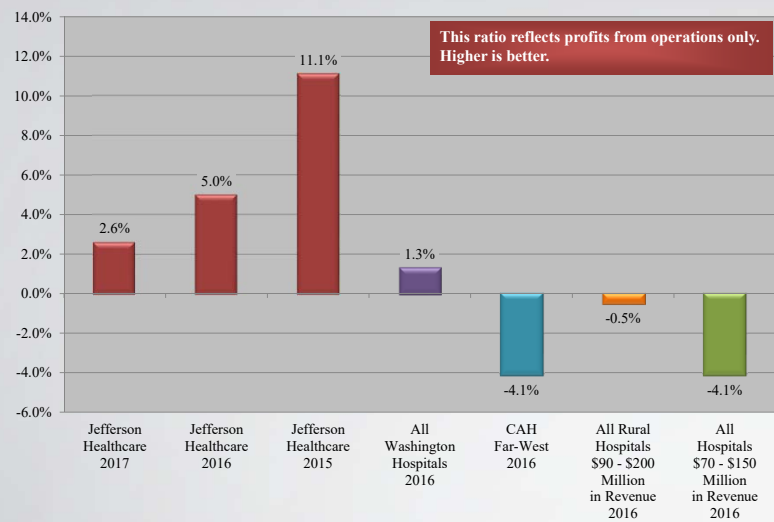
Total Margin

Change in Net Position
Total Revenues



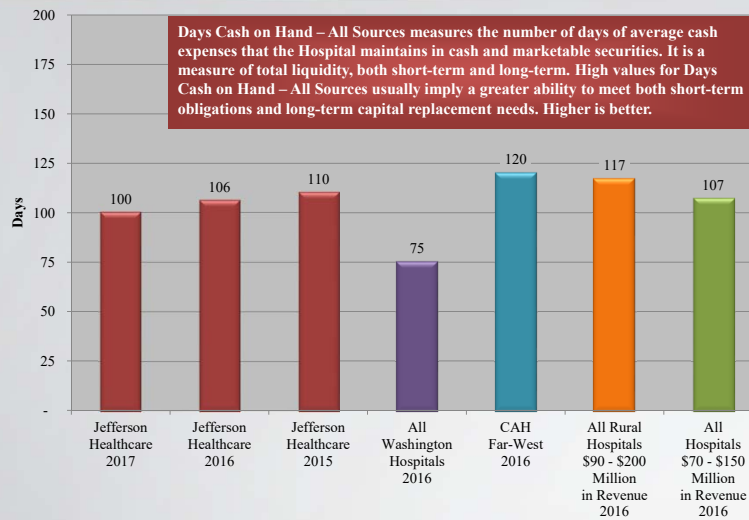
Operating Margin

Operating Income (Loss)
Total Operating Revenues



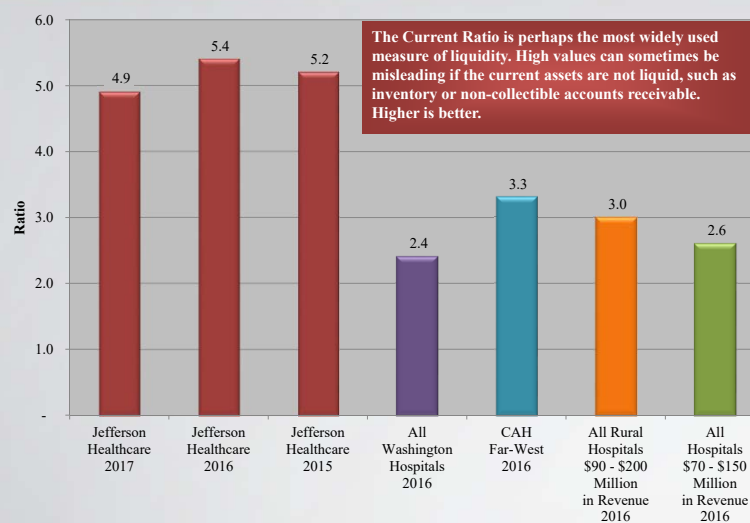
Days Cash on Hand – All Sources

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

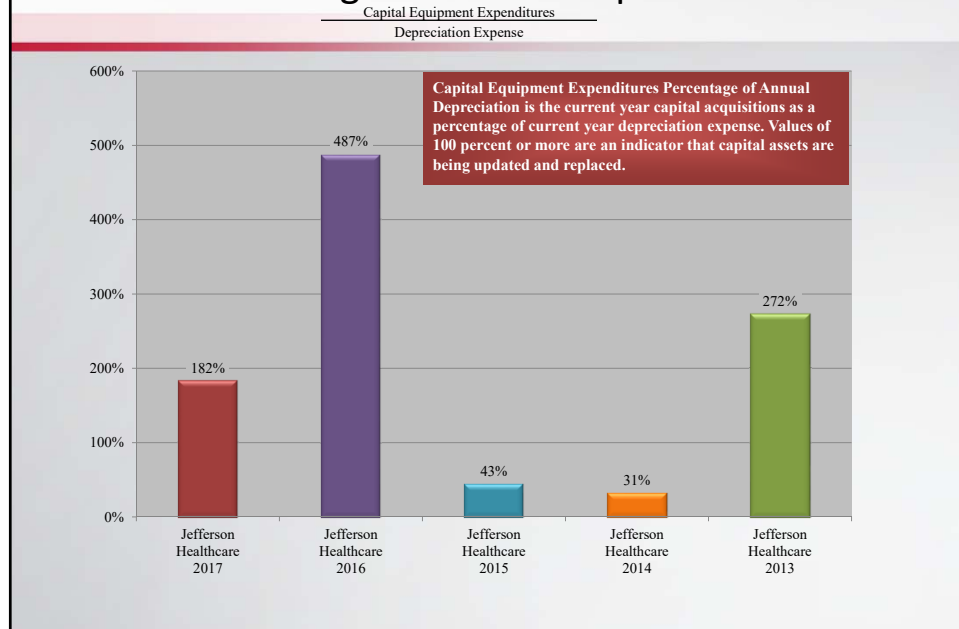


Current Ratio

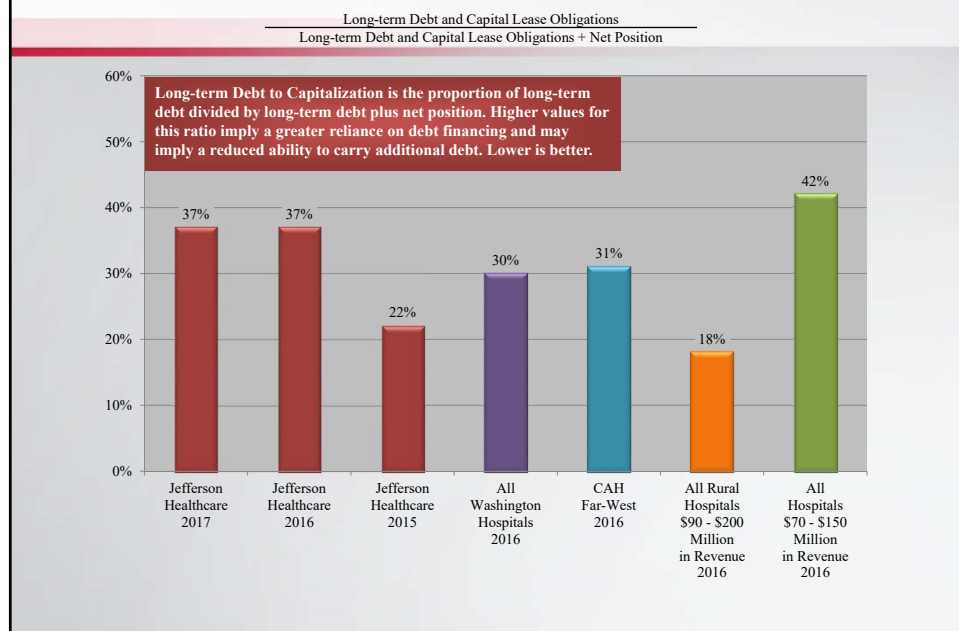
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$



Capital Equipment Expenditures Percentage of Annual Depreciation

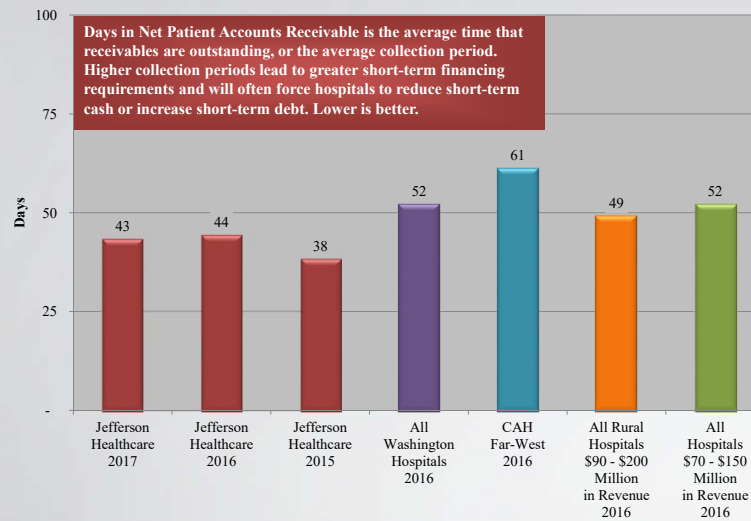


Long-term Debt to Capitalization



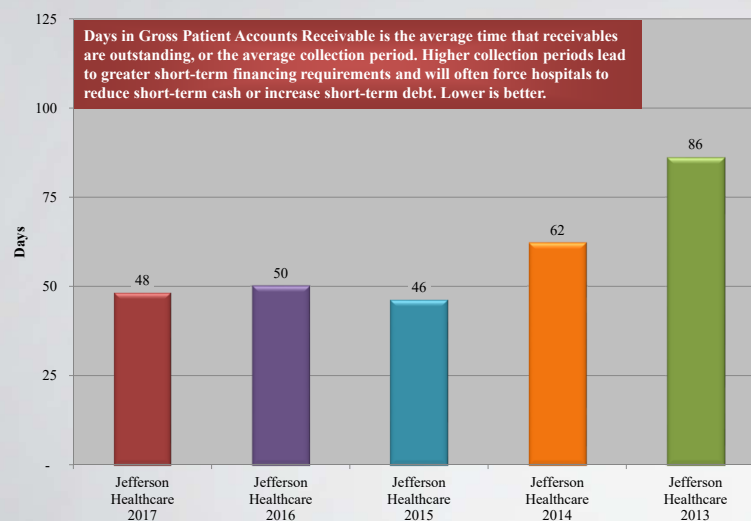
Days in Net Patient Accounts Receivable

Net Patient Accounts Receivable
Net Patient Service Revenues / 365



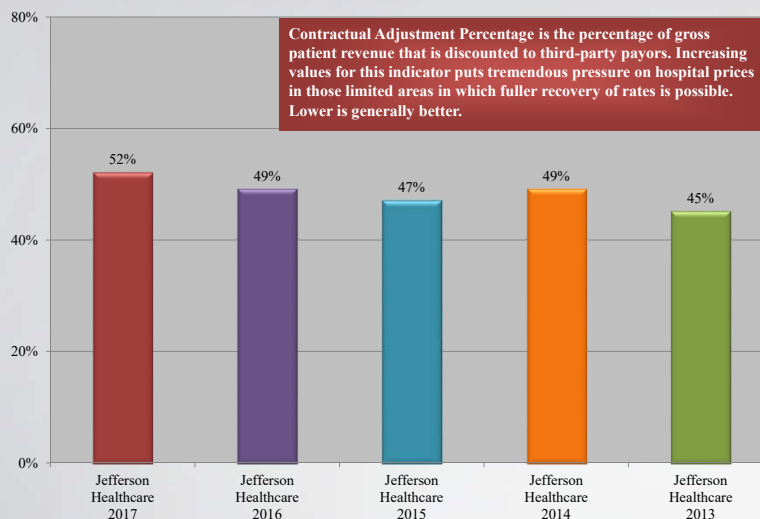
Days in Gross Patient Accounts Receivable

Gross Patient Accounts Receivable
Gross Patient Service Revenues / 365



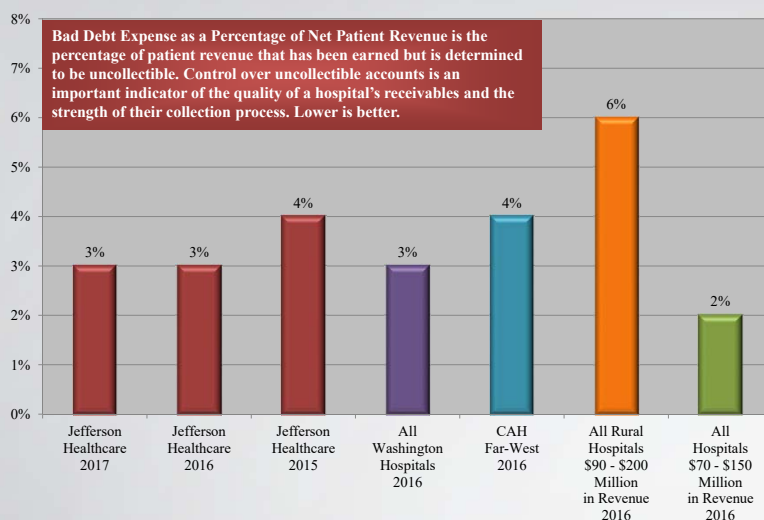
Contractual Adjustment Percentage

Contractual Adjustments
Gross Patient Revenues



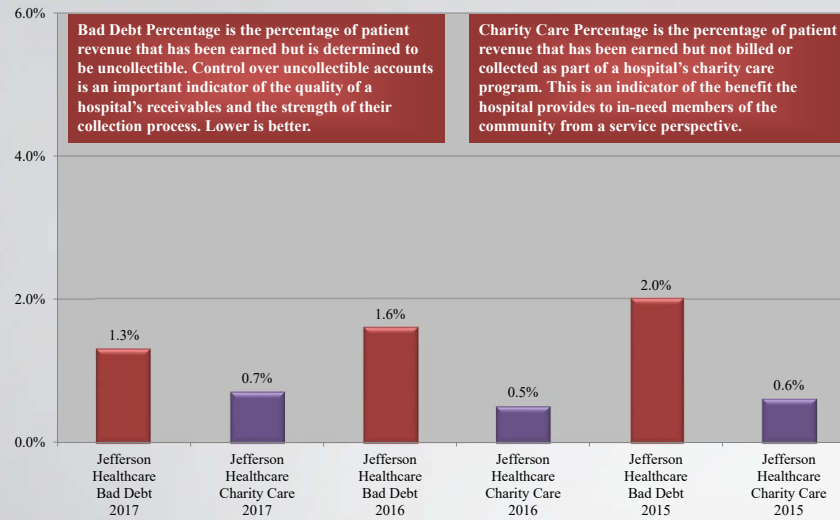
Bad Debt Expense as a Percentage of Net Patient Revenue

Provision for Bad Debt
Net Patient Revenues

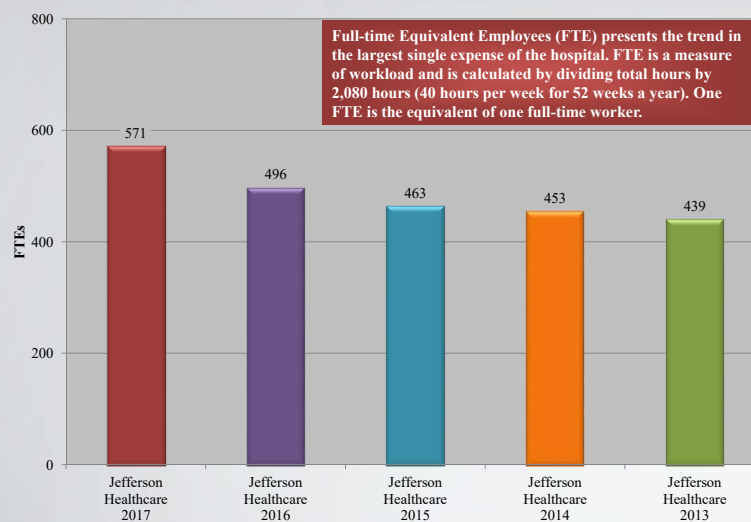


Bad Debt and Charity Care Percentage

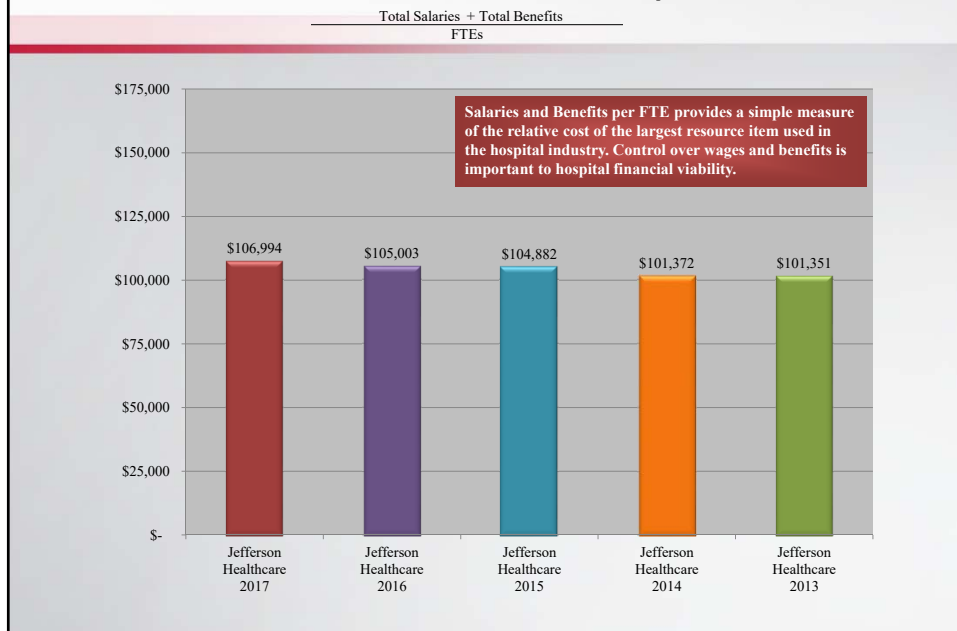
Provision for Bad Debt or Charity Care
Gross Patient Revenues



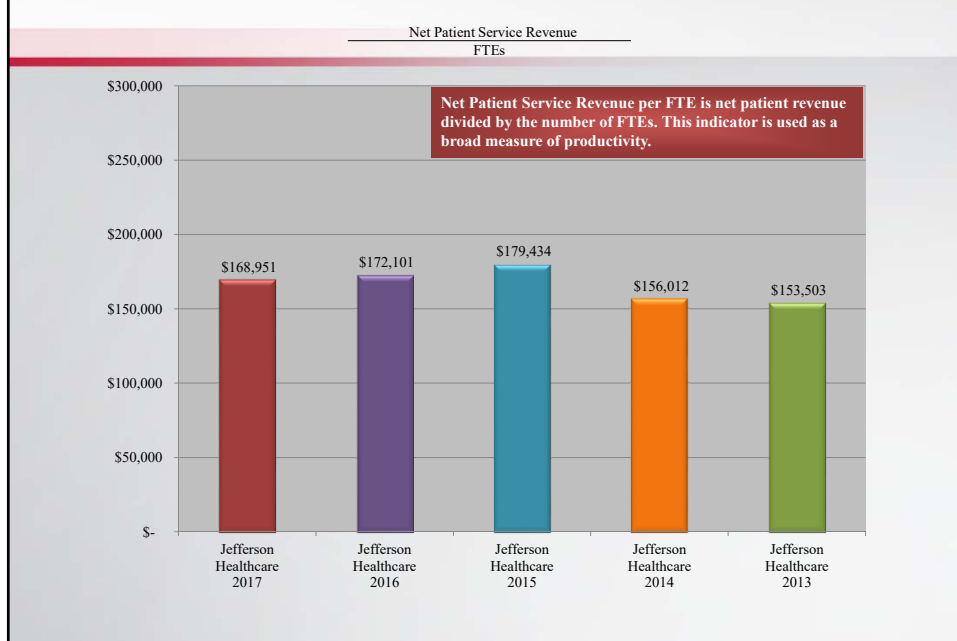
Full-time Equivalent Employees (FTE)



Salaries and Benefits per FTE



Net Patient Service Revenue per FTE



Auditor Required Communications With Those Charged With Governance

- No changes in accounting policies
- Accounting estimates
 - Allowance for doubtful accounts and contractual adjustments
 - Medicare and Medicaid cost report settlements
 - Rural health clinic Medicaid managed care reconciliations
- No difficulties in performing the audit



Auditor Required Communications With Those Charged With Governance (Continued)

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



Contact Information

Thank You!

Tom Dingus, CPA
Dingus, Zarecor & Associates PLLC
tdingus@dzacpa.com
509.242.0874

