



**Office of the Washington State Auditor  
Pat McCarthy**

November 13, 2018

Board of Commissioners  
North Valley Hospital  
Tonasket, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on North Valley Hospital's financial statements for the fiscal years ended December 31, 2017 and 2016. The District contracted with the CPA firm for this audit and requested that we accept in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

**Okanogan County  
Public Hospital District No. 4  
doing business as  
North Valley Hospital**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2017 and 2016



**DINGUS | ZARECOR & ASSOCIATES<sup>PLLC</sup>**  
Certified Public Accountants

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Okanogan County Public Hospital District No. 4  
doing business as North Valley Hospital  
Tonasket, Washington

### Report on the Financial Statements

We have audited the accompanying financial statements of Okanogan County Public Hospital District No. 4 doing business as North Valley Hospital (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic 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.

### Auditors' 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 auditors' 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 auditors consider 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 the District as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of divisional statement of net position and divisional statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of divisional statement of net position and divisional statement of revenues, expenses, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of divisional statement of net position and divisional statement of revenues, expenses, and changes in net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, 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 for the year ended December 31, 2017. We issued a similar report for the year ended December 31, 2016, dated April 4, 2017, which has not been included with the 2017 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing for each year, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
May 10, 2018

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 6,613,088	\$ 5,816,322
Receivables:		
Patient accounts, net of estimated uncollectibles of \$1,498,003 and \$1,012,247, respectively	1,818,696	2,312,491
Taxes	34,592	36,060
Taxes restricted for debt service	68,641	68,641
Estimated third-party payor settlements	591,000	413,000
Other	57,869	11,168
Cash and cash equivalents, restricted for debt service	673,695	552,501
Inventories	399,135	409,509
Prepaid expenses	224,768	197,347
Total current assets	10,481,484	9,817,039
<i>Noncurrent assets</i>		
Cash and cash equivalents, restricted by grantor for capital acquisitions	-	500,000
Capital assets, net of accumulated depreciation	11,419,561	12,263,402
Total noncurrent assets	11,419,561	12,763,402
<b>Total assets</b>	<b>\$ 21,901,045</b>	<b>\$ 22,580,441</b>

*See accompanying notes to basic financial statements.*

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Statements of Net Position (Continued)**  
**December 31, 2017 and 2016**

<b>LIABILITIES AND NET POSITION</b>	<b>2017</b>	<b>2016</b>
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 572,765	\$ 479,168
Current maturities of capital lease obligations	-	59,062
Estimated third-party payor settlements	281,568	435,279
Accounts payable	575,471	529,582
Accrued compensation and related liabilities	606,741	576,001
Accrued leave	458,990	467,189
Accrued interest payable	28,338	45,115
Total current liabilities	2,523,873	2,591,396
<i>Noncurrent liabilities, long-term debt, less current maturities</i>	9,434,009	9,843,483
<i>Deferred inflows of resources, bond refunding</i>	77,890	-
Total liabilities	12,035,772	12,434,879
<i>Net position</i>		
Net investment in capital assets	1,306,559	1,836,574
Restricted for debt service	742,336	621,142
Restricted for capital acquisition	-	500,000
Unrestricted	7,816,378	7,187,846
Total net position	9,865,273	10,145,562
<b>Total liabilities and net position</b>	<b>\$ 21,901,045</b>	<b>\$ 22,580,441</b>

*See accompanying notes to basic financial statements.*

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<i>Operating revenues</i>		
Net patient service revenue, net of provision for bad debts of \$1,544,091 and \$977,627, respectively	\$ 20,723,819	\$ 21,695,427
Electronic health records incentive payment	44,582	17,139
Grants	65,783	68,393
Other	294,373	244,818
Total operating revenues	<b>21,128,557</b>	22,025,777
<i>Operating expenses</i>		
Salaries and wages	10,310,121	9,804,254
Employee benefits	2,260,153	2,150,569
Professional fees	2,425,227	2,339,546
Purchased services	2,542,220	2,390,321
Supplies	1,525,850	1,352,943
Utilities	374,269	358,920
Rentals and leases	370,117	317,170
Repairs and maintenance	452,206	528,095
Depreciation and amortization	1,120,450	1,168,628
Insurance	130,212	153,100
Other	488,131	475,410
Total operating expenses	<b>21,998,956</b>	21,038,956
<i>Operating income (loss)</i>	<b>(870,399)</b>	986,821
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	474,659	470,212
Taxation for bond principal and interest	891,586	889,926
Contributions	25,421	3,293
Gain (loss) on sale of assets	(89,355)	4,764
Investment income	24,077	7,830
Interest expense	(736,278)	(564,971)
Total nonoperating revenues (expenses), net	<b>590,110</b>	811,054
Change in net position	<b>(280,289)</b>	1,797,875
Net position, beginning of year	<b>10,145,562</b>	8,347,687
<b>Net position, end of year</b>	<b>\$ 9,865,273</b>	<b>\$ 10,145,562</b>

*See accompanying notes to basic financial statements.*



**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 20,930,485	\$ 21,327,232
Cash received from electronic health records incentive payment	-	383,089
Cash received from other revenue	247,672	233,650
Cash received from operating grants	65,783	68,393
Cash paid to and on behalf of employees	(12,547,733)	(11,836,323)
Cash paid to suppliers and contractors	(8,279,390)	(7,969,039)
Net cash provided by operating activities	416,817	2,207,002
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	476,127	467,418
Contributions	25,421	3,293
Net cash provided by noncapital financing activities	501,548	470,711
<i>Cash flows from capital and related financing activities</i>		
Cash received from taxation for bond principal and interest	891,586	884,628
Principal paid on long-term debt	(624,167)	(451,012)
Principal paid on capital lease obligations	(59,062)	(84,979)
Interest paid on long-term debt	(368,768)	(563,983)
Interest paid on capital lease obligations	(1,762)	(8,224)
Purchase of capital assets	(370,057)	(565,316)
Proceeds from issuance of long-term debt	3,655	-
Proceeds from the sale of capital assets	4,093	17,881
Net cash used in capital and related financing activities	(524,482)	(771,005)
<i>Cash flows from investing activities</i>		
Interest received	24,077	7,830
Net increase in cash and cash equivalents	417,960	1,914,538
Cash and cash equivalents, beginning of year	6,868,823	4,954,285
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,286,783</b>	<b>\$ 6,868,823</b>

*See accompanying notes to basic financial statements.*

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b><i>Reconciliation of Cash and Cash Equivalents</i></b>		
<b><i>to the Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 6,613,088	\$ 5,816,322
Cash and cash equivalents, restricted for debt service	673,695	552,501
Cash and cash equivalents, restricted by grantor for capital acquisitions	-	500,000
<b>Total cash and cash equivalents</b>	<b>\$ 7,286,783</b>	<b>\$ 6,868,823</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash</i></b>		
<b><i>Provided by Operating Activities</i></b>		
Operating income (loss)	\$ (870,399)	\$ 986,821
<b><i>Adjustments to reconcile operating income (loss) to</i></b>		
<b><i>net cash provided by operating activities</i></b>		
Depreciation and amortization	1,120,450	1,168,628
Provision for bad debts	1,544,091	977,627
Decrease (increase) in assets:		
Receivables:		
Patient accounts, net	(1,050,296)	(682,422)
Estimated third-party payor settlements	(178,000)	(413,000)
Electronic health records incentive payment	-	365,950
Other	(46,701)	(11,168)
Inventories	10,374	(43,093)
Prepaid expenses	(27,421)	(59,556)
Increase (decrease) in liabilities:		
Accounts payable	45,889	49,115
Accrued compensation and related liabilities	30,740	138,237
Accrued leave	(8,199)	(19,737)
Estimated third-party payor settlements	(153,711)	(250,400)
<b>Net cash provided by operating activities</b>	<b>\$ 416,817</b>	<b>\$ 2,207,002</b>

***Noncash Financing Activities***

During the year ended December 31, 2017, the District refunded its 2007 Unlimited Tax General Obligation Bonds in the amount of \$8,760,000 with a premium of \$462,376 through the issuance of 2017 Unlimited Tax General Obligation bonds. The issuance of the 2017 bonds also included \$234,491 of interest associated with the 2007 bonds.

*See accompanying notes to basic financial statements.*

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Okanogan County Public Hospital District No. 4 (the District) owns and operates two separate operating divisions: a hospital division (the Hospital) which includes North Valley Hospital, a 25-bed critical access hospital in Tonasket, Washington, and a long-term care division (LTC) encompassing a 42-bed skilled nursing facility located in Tonasket, Washington. The District provides healthcare services to patients in the North Central Okanogan County, Washington, area. The services provided include acute care hospital, long-term nursing care, emergency room, physicians' clinic, and the related ancillary procedures (surgery, laboratory, imaging services, therapy, etc.) associated with those services.

The District operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from paying federal income taxes. The Board of Commissioners consists of five community members elected to six-year terms. The District is not a component unit of Okanogan County.

**b. Summary of Significant Accounting Policies**

***Use of estimates*** – The preparation of financial statements in conformity 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Enterprise fund accounting*** – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

***Cash and cash equivalents*** – All cash receipts are deposited into a depository bank account. Periodically, these funds are transferred to the Okanogan County Treasurer (County Treasurer). The County Treasurer acts as the District Treasurer. Warrants are issued by the District against the cash placed with the County Treasurer, and the warrants are redeemed from a commercial bank by the County Treasurer. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates of less than 90 days as cash and cash equivalents.

***Inventories*** – Inventories of medical and other supplies are stated at cost (first-in, first-out method) which is considered lower than market price.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

***Compensated absences*** – The District’s employees earn paid time off (PTO) at varying rates depending on years of service. PTO accumulates each pay period throughout the year with a maximum of 500 hours. Employees may carry over 100 percent of the PTO hours earned in one year to the next year. After one year of continuous employment, employees may cash out accrued PTO hours one time every year. Additionally, the employee must have at least the amount of hours equivalent to the employee’s regular weekly scheduled hours of PTO remaining accrued after such payout. On termination of employment, the employee shall be paid all accrued and unused PTO hours, given they meet the requirements in the personnel policies. PTO is accrued when earned.

The District’s employees also earn extended illness benefits (EIB) at varying rates based on actual hours worked and job classification. EIB accruals are available for use in the pay period following successful completion of the probationary period. EIB may be accessed immediately for the use of medically qualifying leave for the employee or for family members as designated by the Washington State Family Care Act, as amended under varying circumstances as outlined in the policy. By November 1 of each calendar year, an employee may make a written request to the human resources director or designee to convert a designated number of PTO hours to the EIB bank. The maximum accrual for EIB is 500 hours. Hours in the EIB bank shall not be paid upon resignation or termination of employment except for personnel hired prior to June 26, 2014. For personnel hired prior to June 26, 2014, after 20 years of continuous service a cash pay out of up to 100 hours per year is allowable. At least 100 hours must remain in the employees’ EIB bank. Cash pay outs are paid at 50 percent. Employees hired after June 26, 2014, are not eligible to cash out EIB accruals.

***Bond premiums and discounts*** – The straight-line method is used to amortize the bond premiums and discounts over the period the related obligations are outstanding, which approximates the effective interest method.

***Deferred charge on debt refunding*** – The difference between the reacquisition price and the carrying amount of the refinanced 2007 unlimited general obligation bonds has been deferred and is amortized using the straight-line method over the life of the refunding bonds.

***Net position*** – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by bond indentures and by grantors for capital acquisition. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

***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 result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

***Restricted resources*** – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

***Grants and contributions*** – From time to time, the District receives grants from individuals and other organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

***Subsequent events*** – Subsequent events have been reviewed through May 10, 2018, the date on which the financial statements were available to be issued.

**2. Bank Deposits and Investments:**

Custodial credit risk is the risk that in the event of a depository institution failure, the District’s deposits may not be refunded to it. The District does not have a deposit policy for custodial credit risk.

All cash and cash equivalents held by the County Treasurer or deposited with qualified public depositories are protected against loss by the State of Washington Public Deposit Protection Commission, as provided by RCW Chapter 39.58, subject to certain limitations. Qualified public depositories, including Wells Fargo and Umpqua Bank, pledge securities with this commission, which are available to insure public deposits within the state of Washington. The cash on deposit with these banks is also insured through the Federal Deposit Insurance Corporation.

The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. Amounts invested in the Okanogan County Investment Pool at December 31, 2017 and 2016 were \$3,031,145 and \$3,008,110, respectively. The Okanogan County Investment Pool consists only of a simple money market account.

Investments in the Okanogan County Local Government Investment Pool are reported at fair value based on the net asset value per share. Investments generally may be redeemed with no waiting period with proper notice to the Okanogan County Treasurer.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible amounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible amounts and provision for bad debts. Management regularly reviews data about these major patient payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients has increased significantly due to a decrease in collections from these patients. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District consisted of these amounts:

	<b>2017</b>	<b>2016</b>
Receivables from patients and their insurance carriers	\$ 2,378,464	\$ 2,340,762
Receivables from Medicare	681,893	643,748
Receivables from Medicaid	256,342	340,228
Total patient accounts receivable	<b>3,316,699</b>	3,324,738
Less allowance for uncollectible accounts	<b>1,498,003</b>	1,012,247
<b>Patient accounts receivable, net</b>	<b>\$ 1,818,696</b>	\$ 2,312,491

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**4. Property Taxes:**

The Okanogan 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 Okanogan County Assessor at 100 percent of 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.

The District is permitted by law to levy up to \$0.75 per \$1,000 of assessed valuation for general district purposes. 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 must be authorized by the vote of the people.

The District has two levies: maintenance and operations (M&O) levy and 2007 and 2008 bond levies.

The District's tax levies are comprised of the following:

<b>2017</b>			
	<b>Levy Rate</b>	<b>Assessed Value</b>	<b>Levy Amount</b>
M&O levy	0.437947	\$ 1,060,581,383	\$ <b>464,478</b>
Bond levy	0.832828	\$ 1,060,843,860	\$ <b>883,500</b>
<b>2016</b>			
	<b>Levy Rate</b>	<b>Assessed Value</b>	<b>Levy Amount</b>
M&O levy	0.425412	\$ 1,077,293,288	\$ <b>458,293</b>
Bond levy	0.814993	\$ 1,081,202,298	\$ <b>881,172</b>

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**5. Capital Assets:**

The District capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When such assets are disposed of, the related costs and accumulated depreciation or amortization is removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses. All capital assets, other than land and construction in progress, are being depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the capital asset. Such amortization is included in depreciation and amortization in the financial statements. Useful lives have been estimated as follows:

Land improvements	2 to 20 years
Buildings	5 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2016	Additions	Retirements	Transfers	Balance December 31, 2017
<i>Capital assets not being depreciated</i>					
Land	\$ 358,540	\$ -	\$ -	\$ -	\$ 358,540
Construction in progress	93,448	34,278	(93,448)	-	34,278
Total capital assets not being depreciated	451,988	34,278	(93,448)	-	392,818
<i>Capital assets being depreciated</i>					
Land improvements	719,936	-	-	-	719,936
Buildings	13,118,367	156,729	-	-	13,275,096
Fixed equipment	6,362,650	16,389	-	-	6,379,039
Movable equipment	5,271,739	162,661	(47,611)	-	5,386,789
Total capital assets being depreciated	25,472,692	335,779	(47,611)	-	25,760,860
<i>Less accumulated depreciation for</i>					
Land improvements	623,449	74,825	-	-	698,274
Buildings	4,750,481	417,085	-	-	5,167,566
Fixed equipment	4,215,452	266,072	-	-	4,481,524
Movable equipment	4,071,896	362,468	(47,611)	-	4,386,753
Total accumulated depreciation	13,661,278	1,120,450	(47,611)	-	14,734,117
Total capital assets being depreciated, net	11,811,414	(784,671)	-	-	11,026,743
<b>Capital assets, net</b>	<b>\$ 12,263,402</b>	<b>\$ (750,393)</b>	<b>\$ (93,448)</b>	<b>\$ -</b>	<b>\$ 11,419,561</b>



**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**5. Capital Assets (continued):**

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2015	Additions	Retirements	Transfers	Balance December 31, 2016
<i>Capital assets not being depreciated</i>					
Land	\$ 358,540	\$ -	\$ -	\$ -	\$ 358,540
Construction in progress	147,752	-	-	(54,304)	93,448
Total capital assets not being depreciated	506,292	-	-	(54,304)	451,988
<i>Capital assets being depreciated</i>					
Land improvements	719,936	-	-	-	719,936
Buildings	13,008,541	109,826	-	-	13,118,367
Fixed equipment	6,334,203	28,447	-	-	6,362,650
Movable equipment	5,035,263	427,043	(244,871)	54,304	5,271,739
Total capital assets being depreciated	25,097,943	565,316	(244,871)	54,304	25,472,692
<i>Less accumulated depreciation for</i>					
Land improvements	548,625	74,824	-	-	623,449
Buildings	4,298,184	452,297	-	-	4,750,481
Fixed equipment	3,944,478	270,974	-	-	4,215,452
Movable equipment	3,933,117	370,533	(231,754)	-	4,071,896
Total accumulated depreciation	12,724,404	1,168,628	(231,754)	-	13,661,278
Total capital assets being depreciated, net	12,373,539	(603,312)	(13,117)	54,304	11,811,414
<b>Capital assets, net</b>	<b>\$ 12,879,831</b>	<b>\$ (603,312)</b>	<b>\$ (13,117)</b>	<b>\$ -</b>	<b>\$ 12,263,402</b>

Construction in progress at December 31, 2017, consisted of a new inventory software program, which is estimated to cost an additional \$115,000, to be implemented. The software was placed into service in January 2018.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**6. Long-term Debt and Other Noncurrent Liabilities:**

A schedule of changes in the District's long-term debt and capital lease obligations follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amount Due Within One Year
<i>Long-term debt</i>					
Limited Tax General Obligation Bonds, 2002	\$ 1,093,646	\$ -	\$ (159,167)	\$ 934,479	\$ 167,765
Unlimited Tax General Obligation Bonds, 2007	9,145,000	-	(9,145,000)	-	-
Unlimited Tax General Obligation Bonds, 2017	-	8,760,000	(145,000)	8,615,000	405,000
Bond premiums and discounts	84,005	462,376	(89,086)	457,295	-
Total long-term debt	10,322,651	9,222,376	(9,538,253)	10,006,774	572,765
<i>Capital lease obligations</i>	59,062	-	(59,062)	-	-
<b>Total long-term debt and other noncurrent liabilities</b>	<b>\$ 10,381,713</b>	<b>\$ 9,222,376</b>	<b>\$ (9,597,315)</b>	<b>\$ 10,006,774</b>	<b>\$ 572,765</b>
	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Amount Due Within One Year
<i>Long-term debt</i>					
Limited Tax General Obligation Bonds, 2002	\$ 1,244,658	\$ -	\$ (151,012)	\$ 1,093,646	\$ 159,168
Unlimited Tax General Obligation Bonds, 2007	9,445,000	-	(300,000)	9,145,000	320,000
Bond premiums and discounts	89,256	-	(5,251)	84,005	-
Total long-term debt	10,778,914	-	(456,263)	10,322,651	479,168
<i>Capital lease obligations</i>	144,041	-	(84,979)	59,062	59,062
<b>Total long-term debt and other noncurrent liabilities</b>	<b>\$ 10,922,955</b>	<b>\$ -</b>	<b>\$ (541,242)</b>	<b>\$ 10,381,713</b>	<b>\$ 538,230</b>

**Long-term debt** – The terms and due dates of the District's long-term debt follows:

- Limited Tax General Obligation (LTGO) Improvement and Refunding Bonds, 2002 Series A (tax-exempt) dated October 1, 2002, in the original amount of \$2,473,000, are payable semiannually on June 1 and December 1, in varying principal installments from \$167,765 in 2018, to \$207,070 in 2022, plus interest at 5.33 percent.

The 2002 LTGO bonds were issued for the purpose of refunding the 1991, 1995, and 1997 LTGO bonds. The 1991 bonds were issued for the purpose of purchasing and furnishing a clinic; the 1995 and 1997 bonds were issued for the purpose of constructing an assisted living center.

LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a maintenance and operations tax upon the taxable property within the District.

- Unlimited Tax General Obligation (UTGO) Bonds, 2007 – Bonds payable dated December 4, 2007, in the original amount of \$9,750,000, were refunded in 2017 by the Unlimited Tax General Obligation Refunding Bonds, 2017.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**6. Long-term Debt and Other Noncurrent Liabilities (continued):**

*Long-term debt (continued) –*

- Refunding Unlimited Tax General Obligation (UTGO) Bonds, 2017 – In September 2017, the District issued the Unlimited Tax General Obligation Refunding Bonds, series 2017 in the amount of \$8,760,000. The bonds are payable annually on December 1, in varying principal installments from \$405,000 in 2018 to \$785,000 in 2032, plus interest varying from 3 percent to 4 percent. The new debt issued will reduce debt service payments for the District by \$1,808,459 with an economic gain of \$1,483,607.

The original 2007 UTGO bonds were issued for the purpose of expanding and modernizing the Hospital and to purchase land required for the expansion.

UTGO bonds are direct and general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District. The voters of the District approved the 2007 UTGO bonds and a special levy to pay the principal and interest. Tax receipts limited for the bond redemption and interest are used to pay the principal and interest each year.

Aggregate annual principal and interest payments over the terms of long-term debt follow:

	UTGO Bonds			LTGO Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 405,000	\$ 290,225	\$ 695,225	\$ 167,765	\$ 47,601	\$ 215,366	\$ 572,765	\$ 337,826	\$ 910,591
2019	425,000	278,075	703,075	176,826	38,540	215,366	601,826	316,615	918,441
2020	445,000	265,325	710,325	186,376	28,989	215,365	631,376	294,314	925,690
2021	465,000	251,975	716,975	196,442	18,923	215,365	661,442	270,898	932,340
2022	490,000	238,025	728,025	207,070	8,313	215,383	697,070	246,338	943,408
2023-2027	2,825,000	930,125	3,755,125	-	-	-	2,825,000	930,125	3,755,125
2028-2032	3,560,000	418,975	3,978,975	-	-	-	3,560,000	418,975	3,978,975
	<b>\$ 8,615,000</b>	<b>\$ 2,672,725</b>	<b>\$ 11,287,725</b>	<b>\$ 934,479</b>	<b>\$ 142,366</b>	<b>\$ 1,076,845</b>	<b>\$ 9,549,479</b>	<b>\$ 2,815,091</b>	<b>\$ 12,364,570</b>

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**7. Net Patient Service Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have increased significantly due to a decrease in collections from these patients. The District has not changed its charity care or uninsured discount policies during fiscal years 2017 or 2016.

Patient service revenue, net of contractual adjustments and discounts, recognized in the period from these major payor sources, is as follows:

	<b>2017</b>	<b>2016</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 10,017,067	\$ 8,979,758
Medicaid	6,316,339	6,240,766
Other third-party payors	4,526,572	5,449,572
Patients	1,515,986	1,488,010
Proshare	331,847	904,113
	<b>22,707,811</b>	<b>23,062,219</b>
Less:		
Charity care	439,901	389,165
Provision for bad debts	1,544,091	977,627
<b>Net patient service revenue</b>	<b>\$ 20,723,819</b>	<b>\$ 21,695,427</b>

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

- *Medicare* – The Hospital has been designated a critical access hospital by Medicare, and is reimbursed for most inpatient, swing-bed, and outpatient services on a cost basis as defined and limited by the Medicare program. The District is reimbursed for skilled nursing facility services under a prospective payment system. Physician services are reimbursed on a fee schedule. The Medicare program's administrative procedures preclude final determination of amounts due to the District for such services until three years after the District's cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**7. Net Patient Service Revenue (continued):**

- *Medicaid* – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Nursing home services are reimbursed based on costs as defined and limited by the Medicaid program. Swing-bed services are reimbursed on a prospectively set rate per day. Physician services are reimbursed on a fee schedule.

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

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.

Net patient service revenue increased by approximately \$124,000 and \$72,000 in the years ended December 31, 2017 and 2016, respectively, due to differences between original estimates and preliminary settlements and/or revised estimates.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2017 and 2016, were approximately \$258,000 and \$226,000, respectively. Disproportionate share hospital payments from the state of Washington received to subsidize charity services provided for the years ended December 31, 2017 and 2016, were approximately \$113,000 and \$198,000 respectively.

**8. Retirement Plans:**

The District provides benefits through the North Valley Hospital Retirement Plan, a defined contribution retirement plan under Section 401(a) of the Internal Revenue Code. The plan is administered by Empower Retirement. Benefit terms, including contribution requirements, for the plan are established and may be amended by the Board. In a defined contribution plan, benefits depend solely on amounts contributed by the employee and the District to the plan plus investment earnings. The plan is available to all employees at least 21 years of age, on the first day of the month following 90 days of employment. Employees become vested following 800 hours of service during a twelve-month period. The District can contribute up to one percent of eligible employees' compensation to the plan. The District contributed approximately \$37,000 and \$30,000 in 2017 and 2016, respectively.

Forfeitures and the District's liability were not material in 2017 and 2016.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**8. Retirement Plans (continued):**

The District also offers a deferred compensation plan under Section 457(b) of the Internal Revenue Code. The plan is available to all employees at least 21 years of age, on the first day of the month following 90 days of employment. Employees become vested following 800 hours of service during a twelve-month period. Employee contributions are deposited and held with accounts established with Empower Retirement. The District employees contributed approximately \$175,000 and \$160,000 in 2017 and 2016, respectively.

**9. Risk Management and Contingencies:**

***Medical malpractice claims*** – The District has professional liability insurance coverage offered by Washington Casualty Company. The 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, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the District purchases insurance to cover prior acts. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has no deductible.

The District also has excess professional liability insurance with Washington Casualty Company on a “claims-made” basis. The excess malpractice insurance provides \$2,000,000 per claim of primary coverage with an aggregate limit of \$2,000,000. The policy has no deductible.

No liability has been accrued for future coverage for acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

***Self-insurance risk pools*** – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust. The trust is a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual unemployment claims, maintenance of reserves, and administrative expenses. Premiums are charged to operations as they are incurred. Unemployment compensation expenses under the plan were approximately \$75,000 and \$82,000 in 2017 and 2016, respectively.

The District insures for workers’ compensation through the state of Washington’s Department of Labor & Industries (L&I). L&I manages all claims and pays benefits out of an insurance pool called the Washington State Fund. The fund is financed by premiums paid by employers and employees. Premiums are charged to operations as they are incurred. The District recognized dividends of approximately \$60,000 and \$100,000, from the Public Hospital District Workers’ Compensation Fund, which was offset against workers’ compensation expense in 2017 and 2016, respectively. Workers’ compensation expense was approximately \$63,000 and \$140,000 in 2017 and 2016, respectively.

***Risk management*** – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and 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 three preceding years.

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**9. Risk Management and Contingencies (continued):**

**Industry regulations** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare 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 fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, 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.

**Potential loss on wrongful termination claims** – In 2017, the District received notice of legal complaints related to employment matters. An estimate could not be made for the potential loss the District would incur if an unfavorable outcome is determined.

**10. Concentration of Risks:**

**Patient accounts receivable** – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Okanogan County.

The mix of receivables from patients follows:

	<b>2017</b>	<b>2016</b>
Medicare	<b>33 %</b>	26 %
Medicaid	<b>14</b>	16
Other third-party payors	<b>25</b>	27
Patients	<b>28</b>	31
	<b>100 %</b>	100 %

**Collective bargaining units** – Effective May 1, 2017, the District renewed its contract with a labor union. As of December 31, 2017 and 2016, approximately 56 percent and 52 percent, respectively, of the District's employees were represented under a collective bargaining agreement with United Food & Commercial Workers Union Local 21. The contract is effective through August 31, 2020.

**11. Capital Lease Commitments:**

The District has committed to capital lease agreements for medical equipment for a total cost of approximately \$600,000 over a seven-year period.



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
Okanogan County Public Hospital District No. 4  
doing business as North Valley Hospital  
Tonasket, 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 Okanogan County Public Hospital District No. 4 doing business as North Valley Hospital (the District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 10, 2018.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
May 10, 2018

**Okanogan County Public Hospital District No. 4  
doing business as North Valley Hospital  
Summary Schedule of Prior Audit Finding  
Year Ended December 31, 2017**

**2016-001 Inventory – Resolved**

## **SUPPLEMENTAL SCHEDULES**

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Schedule of Divisional Statement of Net Position**  
**December 31, 2017**

<b>ASSETS</b>	<b>Hospital Division</b>	<b>LTC Division</b>	<b>Reclasses/ Eliminations</b>	<b>Totals</b>
<i>Current assets</i>				
Cash and cash equivalents	\$ 6,009,958	\$ 603,130	\$ -	\$ 6,613,088
Receivables:				
Patient accounts, less allowance for uncollectibles	1,663,606	155,090	-	1,818,696
Estimated third-party payor settlements	591,000	-	-	591,000
Taxes	34,592	-	-	34,592
Taxes restricted for debt service	68,641	-	-	68,641
Other	57,869	-	-	57,869
Cash and cash equivalents, restricted for debt service	673,695	-	-	673,695
Inventories	375,068	24,067	-	399,135
Prepaid expenses	185,795	38,973	-	224,768
Total current assets	9,660,224	821,260	-	10,481,484
<i>Noncurrent assets</i>				
Due from long-term care division	4,569,335	-	(4,569,335)	-
Capital assets, net of accumulated depreciation	11,034,888	384,673	-	11,419,561
Total noncurrent assets	15,604,223	384,673	(4,569,335)	11,419,561
<b>Total assets</b>	<b>\$ 25,264,447</b>	<b>\$ 1,205,933</b>	<b>\$ (4,569,335)</b>	<b>\$ 21,901,045</b>

*See accompanying independent auditors' report.*

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Schedule of Divisional Statement of Net Position (Continued)**  
**December 31, 2017**

<b>LIABILITIES AND NET POSITION</b>	<b>Hospital Division</b>	<b>LTC Division</b>	<b>Reclasses/ Eliminations</b>	<b>Totals</b>
<i>Current liabilities</i>				
Current maturities of long-term debt	\$ 572,765	\$ -	\$ -	\$ 572,765
Estimated third-party payor settlements	114,075	167,493	-	281,568
Accounts payable	504,387	71,084	-	575,471
Accrued compensation and related liabilities	450,189	156,552	-	606,741
Accrued leave	337,836	121,154	-	458,990
Accrued interest payable	28,338	-	-	28,338
Total current liabilities	2,007,590	516,283	-	2,523,873
<i>Noncurrent liabilities</i>				
Due to hospital division	-	4,569,335	(4,569,335)	-
Long-term debt, less current maturities	9,434,009	-	-	9,434,009
Total noncurrent liabilities	9,434,009	4,569,335	(4,569,335)	9,434,009
<i>Deferred inflows of resources, bond refunding</i>	77,890	-	-	77,890
Total liabilities	11,519,489	5,085,618	(4,569,335)	12,035,772
<i>Net position</i>				
Net investment in capital assets	921,886	384,673	-	1,306,559
Restricted for debt service	742,336	-	-	742,336
Unrestricted	12,080,736	(4,264,358)	-	7,816,378
Total net position	13,744,958	(3,879,685)	-	9,865,273
<b>Total liabilities and net position</b>	<b>\$ 25,342,337</b>	<b>\$ 1,205,933</b>	<b>\$ (4,569,335)</b>	<b>\$ 21,901,045</b>

*See accompanying independent auditors' report.*

**Okanogan County Public Hospital District No. 4**  
**doing business as North Valley Hospital**  
**Schedule of Divisional Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2017**

	<b>Hospital Division</b>	<b>LTC Division</b>	<b>Reclasses/ Eliminations</b>	<b>Totals</b>
<i>Operating revenues</i>				
Net patient service revenue, net of provision for bad debts	\$ 17,965,465	\$ 2,728,994	\$ 29,360	\$ 20,723,819
Electronic health records incentive payment	44,582	-	-	44,582
Grants	65,783	-	-	65,783
Other	120,424	453,103	(279,154)	294,373
Total operating revenues	18,196,254	3,182,097	(249,794)	21,128,557
<i>Operating expenses</i>				
Salaries and wages	7,864,574	2,445,547	-	10,310,121
Employee benefits	1,758,720	501,433	-	2,260,153
Professional fees	2,412,646	12,581	-	2,425,227
Purchased services	2,591,425	200,589	(249,794)	2,542,220
Supplies	1,077,443	448,407	-	1,525,850
Utilities	279,111	95,158	-	374,269
Rentals and leases	357,230	12,887	-	370,117
Repairs and maintenance	387,817	64,389	-	452,206
Depreciation and amortization	1,078,757	41,693	-	1,120,450
Insurance	118,240	11,972	-	130,212
Other	421,528	66,603	-	488,131
Total operating expenses	18,347,491	3,901,259	(249,794)	21,998,956
<i>Operating loss</i>	(151,237)	(719,162)	-	(870,399)
<i>Nonoperating revenues (expenses)</i>				
Taxation for maintenance and operations	474,659	-	-	474,659
Taxation for bond principal and interest	891,586	-	-	891,586
Contributions	6,270	19,151	-	25,421
Loss on sale of assets	(89,355)	-	-	(89,355)
Investment income	24,077	-	-	24,077
Interest expense	(736,101)	(177)	-	(736,278)
Total nonoperating revenues (expenses), net	571,136	18,974	-	590,110
Change in net position	419,899	(700,188)	-	(280,289)
Net position, beginning of year	13,325,059	(3,179,497)	-	10,145,562
<b>Net position, end of year</b>	<b>\$ 13,744,958</b>	<b>\$ (3,879,685)</b>	<b>\$ -</b>	<b>\$ 9,865,273</b>

*See accompanying independent auditors' report.*