Office of the Washington State Auditor
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Harborview Medical Center

**For the period July 1, 2016 through June 30, 2018**

**Published March 29, 2019**

**Report No. 1023537**

# Office of the Washington State Auditor
# Pat McCarthy

March 29, 2019

Board of Trustees
Harborview Medical Center
Seattle, Washington

## Report on Financial Statements and Federal Single Audit

Please find attached our report on the Harborview Medical Center's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Medical Center's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Harborview Medical Center**
**July 1, 2017 through June 30, 2018**

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Harborview Medical Center are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Medical Center.

### Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Medical Center's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

| CFDA No. | Program or Cluster Title |
|---|---|
| 93.153 | Coordinated Services and Access to Research for Women, Infants, Children, and Youth |
| 93.788 | Opioid STR |
| 93.918 | Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The Medical Center did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2018-001.

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## Harborview Medical Center
## July 1, 2017 through June 30, 2018

### 2018-001 The Medical Center did not have adequate internal controls to ensure compliance with requirements for time-and-effort certifications.

| | |
|---|---|
| **CFDA Number and Title:** | 93.918 – Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Part C)<br>93.153 – Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White HIV/AIDS Part D) |
| **Federal Grantor Name:** | Department of Health & Human Services |
| **Federal Award/Contract Number:** | H76HA00198-25-03<br>H76HA00198-26-02<br>H12HA28849-02-03<br>H12HA28849-03-00 |
| **Pass-through Entity Name:** | NA |
| **Pass-through Award/Contract Number:** | NA |
| **Questioned Cost Amount:** | $0 |

### *Description of Condition*

In fiscal year 2018, Harborview Medical Center spent $1.6 million and $1.2 million in federal funds under the Ryan White HIV/AIDS Part C and D programs, respectively. The programs provide early intervention services and primary care related to human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS). Specifically, Part C funds provide a continuum of HIV prevention for at-risk individuals and care for individuals who are HIV-infected, and Part D funds improve access to primary medical care, research, and support services for women and children with HIV and AIDS.

Of the $1.6 million spent on Ryan White Part C, $419,806 went to program expenditures and the remaining money spent was for costs covered by program income generated from the grant. Of the $1.2 million spent in Ryan White Part D, $379,758 was program expenditures and the remaining were costs covered by program income generated from the grant.

The Medical Center used these funds to provide program services at its Madison Clinic (Clinic). Employee salaries and benefits totaled $2,366,621 (90.6 percent of program expenditures) for Part C and Part D combined.

The Medical Center requires supervisors to review and approve time-and-effort certifications within 30 days of the report period. This process should be completed before requesting reimbursement from the awarding agency to ensure the payroll charges are accurate.

We reviewed payroll transactions and found supervisors did not consistently review and approve time-and-effort certifications within 30 days as required. We also found instances for which the approval date was not detailed enough to determine if the approval occurred within the required 30 days. Further, we found instances when reimbursement requests were submitted before the time-and-efforts were reviewed.

We consider the control deficiency a material weakness. For the Ryan White Parts C and Part D grants, this issue was the result of conditions we reported in our previous audits as Findings 2017-001, 2016-001, and 2016-002.

## *Cause of Condition*

Medical Center supervisors did not review payroll time-and-effort documentation in a timely manner.

Further, the current process allows Medical Center staff to seek reimbursement before ensuring the appropriate review and approval of time-and-effort certifications.

Last, the prior year Ryan White Parts C and D conditions were reported in March 2018, and the Medical Center had limited time to implement recommendations and improve timeliness of supervisory review and approval. The Medical Center also had a new payroll system conversion in 2017, which caused issues with the time-and-effort certification process.

## *Effect of Condition and Questioned Costs*

Without timely review and approval of the certifications, the Medical Center cannot ensure payroll costs are appropriate or accurate before seeking reimbursement.

Further, federal grantors and pass-through agencies cannot be assured salaries and benefits charged to the program are accurate and valid.

We reviewed 26 monthly time and effort certifications for payroll costs charged to the Ryan White Part C grant. We found:

- 22 of 26 certifications (85 percent) were not approved within 30 days after the reporting period, as required. Additionally one of the 22 certifications had no evidence of review.

- Of the certifications tested, 10 were approved after the Medical Center already submitted the request for reimbursement. The 10 certifications account for 39 percent of total time-and-effort certifications tested.

- Two of 26 time-and-effort certifications (8 percent) only included the month and year to indicate when they were approved, rather than a specific date. Therefore, we could not determine if the certifications were approved before the Medical Center requested reimbursement.

We reviewed 24 monthly time-and-effort certifications for payroll costs charged to the Ryan White Part D grant. We found:

- 18 of 24 certifications (75 percent) were not approved within 30 days after the reporting period.

- Of the certifications tested, 11 were approved after the Medical Center already submitted the request for reimbursement. The 11 certifications account for 46 percent of total time-and-effort certifications tested.

- Four of 24 certifications (25 percent) included only the month and year, rather than a specific date, to indicate when they were approved. Therefore, we could not determine if the certifications were approved before the Medical Center requested reimbursement.

The employees and related payroll costs charged to the programs were appropriate and allowable. Therefore, we did not question the costs associated with these reimbursements.

## *Recommendation*

We recommend the Medical Center:

- Train program staff, and establish and follow internal control processes to meet all federal time-and-effort documentation requirements to support payroll costs charged to grants

- Establish internal policies and procedures to ensure time-and-effort certifications are approved before seeking reimbursement of federal funds
- Ensure time-and-effort documentation is signed with sufficient detail to show approval occurred within the required period

## *Medical Center's Response*

*As mentioned in the auditor's finding, the prior year Ryan White Parts C and D conditions were reported in March 2018, and the Medical Center had limited time to implement recommendations and improve timeliness of supervisory review and approval.*

*In addition, there was a business process change as a result of our new HR payroll system (Workday) implementation in June 2017, which required the Medical Center to develop a new report for effort certifications. This process spanned several months, and required the collaboration between a number of departments to determine where data fields for effort certifications (which includes both UW and Medical Center information) reside post implementation. During this period, there were many revisions made to accurately reflect effort on the grants, resulting in signatures on the certifications being delayed.*

*In order to ensure compliance with completing time-and-effort certification reports timely and with sufficient detail, the Medical Center has revised our policy to state "Complete within 30 days after release date," and specified that both dates and signatures are required. In addition, the Medical Center reiterated to program staff the importance of completing effort certifications in a timely manner and retrained program management to ensure effort certifications were approved prior to seeking reimbursement.*

## *Auditor's Remarks*

We thank the Medical Center for its cooperation and assistance throughout the audit. We will review the status of the Medical Center's corrective action during our next audit.

## *Applicable Laws and Regulations*

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards,* section 935, Compliance Audits, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

(Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303, Internal controls, establishes requirements for management of Federal awards to non-Federal entities.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 430, Compensation-personal services, establishes standards for documentation of personnel expenses.

Harborview Medical Center Effort Certification Report states to "Complete within 30 days after the end of the reporting period."

UW Medicine
HARBORVIEW MEDICAL CENTER

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## Harborview Medical Center
## July 1, 2017 through June 30, 2018

This schedule presents the status of federal findings reported in prior audit periods.

| **Audit Period:** 7/1/2016 – 6/30/2017 | **Report Ref. No.:** 1021097 | **Finding Ref. No.:** 2017-001 | **CFDA Number(s):** 93.918, 93.153, 93.521 |
|---|---|---|---|
| **Federal Program Name and Granting Agency:**<br>Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Part C) \| Department of Health & Human Services<br><br>Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White HIV/AIDS Part D) \| Department of Health & Human Services<br><br>The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF \| Department of Health & Human Services | | **Pass-Through Agency Name:**<br>Public Health – Seattle & King County | |
| **Finding Caption:**<br>The Medical Center did not have adequate internal controls to ensure compliance with requirements for time and effort. | | | |
| **Background:**<br>In fiscal year 2017, Harborview Medical Center spent $1.6 million and $1 million in federal funds under the Ryan White HIV/AIDS Part C and Ryan White HIV/AIDS Part D programs, respectively. The programs provide early intervention services and primary care related to human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS). | | | |

Of the $1.6 million spent in Ryan White Part C, $357,067 was program expenditures and the remaining was program income generated from the grant. Of the $1.0 million spent in Ryan White Part D, $357,903 was program expenditures and the remaining was program income generated from the grant.

The Medical Center used these funds to provide program services at its Madison Clinic (Clinic). Employee salaries and benefits totaled $454,196 (99 percent of program expenditures) for Part C and $297,465 (83 percent) for Part D.

The Medical Center also spent $298,950 in federal funds for the Affordable Care Act grant. Employee salaries and benefits totaled $151,951 or 51 percent of program expenditures incurred. The program funds are used to address and reduce emerging infectious disease and other health threats.

The Medical Center requires supervisors to review time-and-effort certifications for accuracy and to sign each certification to indicate it has been approved within 30 days of its submission. This process should be completed before requesting reimbursement from the awarding agency.

We found the Medical Center supervisors did not review time-and-effort documentation for payroll costs on time.

For the Ryan White Part C and Part D grants, this issue was the result of conditions we reported in our previous audit as Findings 2016-001 and 2016-002. Because the Ryan White Parts C and D conditions were reported in June 2017, the Medical Center was unable to implement recommendations and improve timeliness of supervisory review and approval of time-and-effort certifications within the audit period.

The change in clinic management of the Affordable Care Act grant resulted in time-and-effort certifications not being reviewed and approved timely.

**Status of Corrective Action: (check one)**

| ☐ Fully Corrected | ☒ Partially Corrected | ☐ Not Corrected | ☐ Finding is considered no longer valid |
|---|---|---|---|

**Corrective Action Taken:**

*As mentioned in the auditor's finding, the Medical Center was made aware of the noncompliance with Ryan White Parts C and D time-and-effort certifications in a prior year audit. Procedures to comply with these requirements were subsequently implemented in FY18 following the notification*

*In addition, there was a business process change as a result of our new HR Payroll system (Workday) implementation in June 2017, which required the Medical Center to create a new report design for effort certifications. This process spanned several months, and required the collaboration between a number of departments to determine where data fields for effort certifications (which includes both UW and Medical Center information) reside post implementation. During this period, there were many revisions made to accurately reflect post implementation. During this period, there were many revisions made to accurately reflect effort on the grant, resulting in signatures on the certifications being delayed.*

*For the Affordable Care Act, there was a change in clinic management that resulted in the late review and approvals of time-and-effort certifications. The Medical Center retained clinic staff on time-and-effort documentation requirements to ensure federal requirements are being met.*

# INDEPENDENT AUDITOR'S 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*

**Harborview Medical Center**
**July 1, 2016 through June 30, 2018**

Board of Trustees
Harborview Medical Center
Seattle, Washington

We have audited, 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, the financial statements of the Harborview Medical Center, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated March 29, 2019.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Medical Center'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 Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center'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 Medical Center'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 Medical Center's financial statements are free from material misstatement, we performed tests of the Medical Center's 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 Medical Center'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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

March 29, 2019

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

**Harborview Medical Center**
**July 1, 2017 through June 30, 2018**

Board of Trustees
Harborview Medical Center
Seattle, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Harborview Medical Center, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Medical Center's major federal programs for the year ended June 30, 2018. The Medical Center's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Medical Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Medical Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Medical Center's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Medical Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Medical Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001 to be a material weakness.

We also noted certain matters that we will report to the management of the Medical Center in a separate letter dated March 29, 2019.

## Medical Center's Response to Findings

The Medical Center's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Medical Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

March 29, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Harborview Medical Center
## July 1, 2016 through June 30, 2018

Board of Trustees
Harborview Medical Center
Seattle, Washington

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Harborview Medical Center, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed on page 22.

### 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 opinions 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 Medical Center'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 Medical Center'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 opinions.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harborview Medical Center, as of June 30, 2018 and 2017, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medical Center's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as

required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the Medical Center'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 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 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 Medical Center's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

March 29, 2019

# FINANCIAL SECTION

**Harborview Medical Center**
**July 1, 2016 through June 30, 2018**

## REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018 and 2017

## BASIC FINANCIAL STATEMENTS

Statements of Net Position – 2018 and 2017
Statements of Revenues, Expenses and Changes in Net Position – 2018 and 2017
Statements of Cash Flows – 2018 and 2017
Notes to Basic Financial Statements – 2018 and 2017

## SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

**HARBORVIEW MEDICAL CENTER**
(A Component Unit of King County)
(Operated by the University of Washington)

Management's Discussion and Analysis

June 30, 2018 and 2017

The following discussion and analysis provides an overview of the financial position and activities of Harborview Medical Center (Harborview) for the years ended June 30, 2018 and 2017. This discussion has been prepared by management and is designed to focus on current activities, resulting changes, and current known facts and should be read in conjunction with the basic financial statements and accompanying notes that follow this section.

Harborview is owned by King County, governed by a county-appointed board of trustees, and managed through a Hospital Services Agreement effective February 25, 2016 between the University of Washington (the University) and King County. Harborview is part of UW Medicine, which also includes: University of Washington Medical Center (UW Medical Center), UW Medicine/Northwest dba Northwest Hospital & Medical Center (Northwest Hospital), Valley Medical Center (VMC), UW Neighborhood Clinics (UWNC), UW Physicians (UWP), UW School of Medicine (the School), and Airlift Northwest (Airlift).

## Using the Financial Statements

The financial report consists of two parts: management discussion and analysis and the financial statements. Harborview's basic financial statements consist of three statements: statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of Harborview, including resources held by Harborview but restricted for specific purposes by contributors, grantors, or enabling legislation.

The statements of net position include all of Harborview's assets and liabilities using the accrual basis of accounting as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose. The statements of net position also include information to help compute the rate of return on investments, evaluate the capital structure of Harborview, and assess the liquidity and financial flexibility of Harborview.

The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time period indicated. Net position, the difference between the sum of assets and the sum of liabilities, is one way to measure the financial health of Harborview and whether the organization has been able to recover all its costs through net patient service revenues and other revenue sources.

The statements of cash flows report the cash provided by Harborview's operating activities as well as other cash sources, such as investment income and cash payments for capital additions and improvements and funding to affiliates. These statements provide meaningful information on where Harborview's cash was generated and what it was used for.

## Results of Operations for Fiscal Year 2018

Harborview reported operating income of $10,308 and a decrease in net position of $6,455 for the year ended June 30, 2018 compared to operating income of $23,792 and an increase in net position of $6,808 for the year ended June 30, 2017. The decrease in net position in 2018 is primarily attributed to lower inpatient admissions with an increase in the length of stay and reduced reimbursement. In addition, operating expenses increased as a result of greater labor and benefit expense as well as unexpected maintenance and staffing costs of $1,800 related to an inpatient unit and costs of $1,700 related to patient placement at skilled nursing facilities in the Seattle area.

For the year ended June 30, 2017, Harborview reported operating income of $23,792 and an increase in net position of $6,808 compared to the reported operating income of $38,926 and an increase in net position of $21,403 for the year ended June 30, 2016. The positive net income in 2017 was primarily attributed to higher inpatient acuity and increased outpatient volumes in the operating rooms and specialty clinics. Other factors contributing to the positive financial results include favorable third-party settlements, grant revenue, and contract pharmacy, as well as focused management of expenses.

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating revenues | $ 1,028,462 | 998,430 | 964,313 |
| Operating expenses | 1,018,154 | 974,638 | 925,387 |
| Income from operations | 10,308 | 23,792 | 38,926 |
| Investment income, net | 4,593 | 2,985 | 2,715 |
| Other, net | (21,491) | (20,196) | (24,689) |
| Nonoperating expenses | (16,898) | (17,211) | (21,974) |
| (Loss) income before other changes in net position | (6,590) | 6,581 | 16,952 |
| Other changes in net position | 135 | 227 | 4,451 |
| (Decrease) increase in net position | (6,455) | 6,808 | 21,403 |
| Net position, beginning of year | 679,127 | 672,319 | 650,916 |
| Net position, end of year | $ 672,672 | 679,127 | 672,319 |

The following table presents Harborview's key performance indicators for June 30, 2018, 2017, and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Available beds | 413 | 413 | 413 |
| Admissions | 16,716 | 17,158 | 16,969 |
| Patient days | 147,027 | 146,805 | 144,140 |
| Average length of stay | 8.8 | 8.6 | 8.5 |
| Occupancy | 98 % | 97 % | 96 % |
| Case mix index (CMI) | 2.36 | 2.28 | 2.23 |
| Surgery cases | 16,597 | 16,412 | 16,291 |
| Emergency room visits | 57,516 | 58,847 | 59,776 |
| Primary care clinic visits | 83,941 | 86,180 | 84,374 |
| Specialty care clinic visits | 178,191 | 172,486 | 168,061 |
| Trauma cases | 6,315 | 6,399 | 6,412 |
| Full-time equivalents (FTEs) | 4,501 | 4,438 | 4,401 |

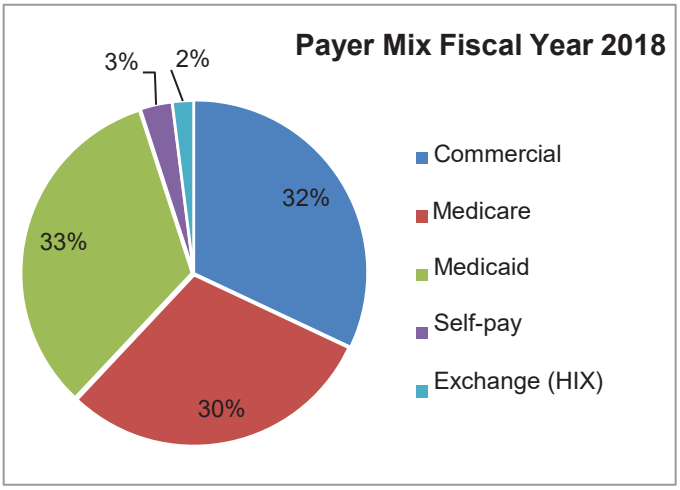
In 2018, Harborview experienced a decline in admissions due to an increased length of stay resulting from patient discharge barriers. As such, Harborview contracted and rented skilled nursing facility beds in the Seattle area as a way for safely discharging patients from inpatient units.

*Operating Revenues*

Operating revenues consist primarily of net patient service revenues and other operating revenues. Net patient service revenues are recorded based on standard billing rates less contractual adjustments, financial assistance, and a provision for uncollectible accounts. Harborview has agreements with federal and state agencies and commercial insurers that provide for payments at amounts different from gross charges. Harborview provides care at no charge to patients who qualify under Harborview's financial assistance policy. In addition, Harborview estimates the amount of accounts receivable due from patients that will become uncollectible, which is also reported as a reduction of net patient service revenues. The difference between gross charges and the estimated net realizable amounts from payers and patients is recorded as an adjustment to charges. The resulting net patient service revenue is shown in the statements of revenues, expenses, and changes in net position.

Net patient service revenues comprise both inpatient and outpatient revenue. Outpatient revenue consists of hospital-based clinic and professional fee revenue. Other operating revenues comprise of hospital-related revenues such as grants, state appropriations, contract pharmacy revenue, as well as parking and cafeteria revenues.

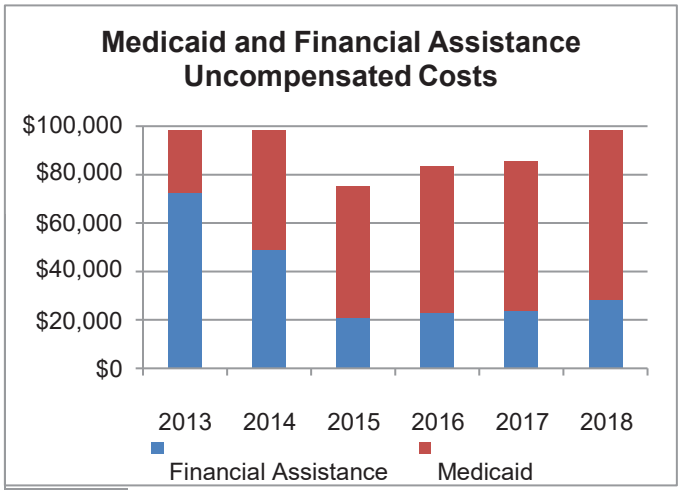
Harborview's payer mix is a key factor in the overall financial operating results. The chart to the left illustrates payer mix for 2018. For the years ended June 30, 2018 and 2017, Medicaid revenue represented 33% and 34%, respectively, Commercial revenue represented 32% and 31%, respectively. Medicare revenue represented 30%, Exchange revenue represented 2%, and Self-pay revenue represented 3% for both fiscal years.



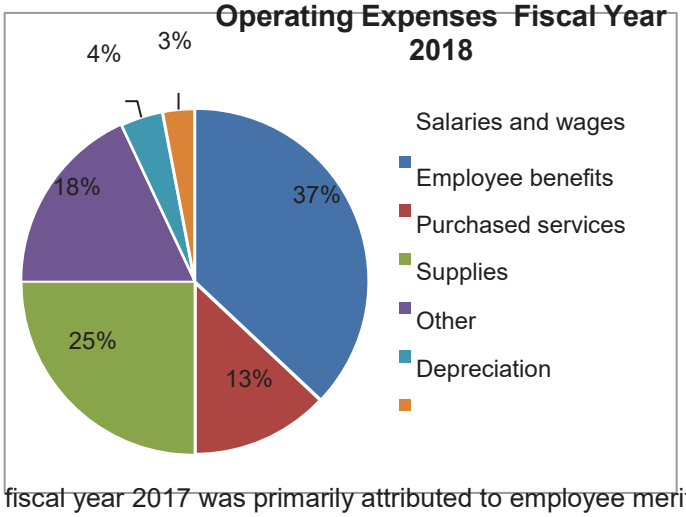

As a result of the Affordable Care Act, Harborview experienced a decrease in uninsured patients after January 1, 2014, as many patients who previously qualified for self-pay or financial assistance now qualify for Medicaid coverage. However, Harborview has seen a corresponding increase in uncompensated care costs related to providing care to Medicaid patients.

Uncompensated care costs, as illustrated in the chart to the right, represent costs in excess of reimbursement for Medicaid and financial assistance patients. This chart does not include all uncompensated costs, such as providing care to Medicare patients.

Reimbursement from governmental payers is below commercial rates. Reimbursement rules are complex and subject to both interpretation and retrospective settlements. Harborview has significant government revenues subject to settlements as a result of Medicaid being its largest payer.




For the years ended June 30, 2018, 2017, and 2016, Harborview's total operating revenues were $1,028,462, $998,430, and $964,313, which was composed of $942,623, $918,904, and $887,533 in net patient service revenues and $85,839, $79,526, and $76,780 of other operating revenues, respectively. The increase in operating revenues for fiscal year 2018 was driven by higher case acuity, an increase in contract pharmacy activity, and favorable third-party settlements. The increase in fiscal year 2017 was driven by higher case acuity, volumes, and an increase in contract pharmacy activity.




*Operating Expenses*

Operating expenses were $1,018,154 for fiscal year 2018 compared to $974,638 for fiscal year 2017 and $925,387 for fiscal year 2016. The composition of fiscal year 2018 operating expenses is illustrated in the chart to the left.

**Salaries and wages** increased $12,882 from $367,494 in fiscal year 2017 to $380,376 in fiscal year 2018. The increase in salaries and wages in the current year is primarily attributed to employee merit increases and a slight increase in FTEs.

Salaries and wages increased $17,368 from $350,126 in fiscal year 2016 to $367,494 in fiscal year 2017. The increase in salaries and wages in fiscal year 2017 was primarily attributed to employee merit increases and higher contract labor.

**Employee benefits** increased $12,660 from $119,419 in fiscal year 2017 to $132,079 in fiscal year 2018 and decreased $808 from $120,227 in fiscal year 2016 to $119,419 in fiscal year 2017. Between fiscal year 2017 and fiscal year 2018, the University benefit load rate for classified employees increased 2.2% from 37.9% to 40.1% as a result of employer pension contributions and increased employee healthcare expenses. In fiscal year 2019, the University benefit load rate for professional employees increased 1.6% from 32.5% to 34.1%.

Between fiscal year 2016 and fiscal year 2017, the University benefit load rate for classified employees decreased by 1.5%, which held benefit expenses flat.

**Purchased services**, which consist of professional and consulting fees, increased $17,255 from $233,846 in fiscal year 2017 to $251,101 in fiscal year 2018 and increased $22,193 from $211,653 in fiscal year 2016 to $233,846 in fiscal year 2017. The increase in purchased services in fiscal year 2018 is attributed to rental of skilled nursing facility beds for Harborview mission patients experiencing post-acute placement issues, an increase in clinical department funding to the School, and consulting and resident salaries expense.

The increase in purchased services in fiscal year 2017 was attributed to greater clinical department funding and shared services expense.

**Supplies expense** includes medical, surgical, pharmaceutical supplies, and nonmedical supplies. In total, these expenses decreased $1,457 from $180,052 in fiscal year 2017 to $178,595 in fiscal year 2018 and increased $9,141 from $170,911 in fiscal year 2016 to $180,052 in fiscal year 2017. The decrease in supplies expense between 2018 and 2017 is due to lower volumes in retail pharmacy, which reduced specialty pharmacy expense, and a decrease in surgical supplies expense.

The increase in supplies expense between 2017 and 2016 was a result of greater prosthesis, pharmaceutical, and patient chargeable expenses driven by greater volumes and supply cost inflation.

**Other expense** includes insurance, taxes, rent, and other miscellaneous expenses. Other expense increased $5,943 from $41,445 in fiscal year 2017 to $47,388 in fiscal year 2018 and increased $2,496 from $38,949 in fiscal year 2016 to $41,445 in fiscal year 2017. The increase in other expense between 2018 and 2017 is primarily attributed to a $4,559 write-off in investments following King County's exercise of control over the funds.

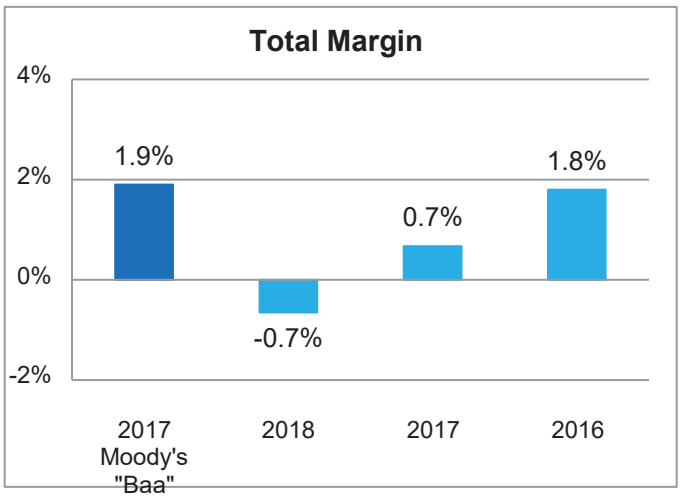
The increase in other expense between 2017 and 2016 was attributed to higher electricity and other miscellaneous expense.

**Depreciation expense** decreased $3,767 from $32,382 in fiscal year 2017 to $28,615 in fiscal year 2018 and decreased $1,139 from $33,521 in fiscal year 2016 to $32,382 in fiscal year 2017. The decrease in fiscal years 2018 and 2017 was attributed to moderate capital spending and assets becoming fully depreciated.

*Nonoperating Revenues (Expenses)*

Nonoperating revenues (expenses) consist primarily of investment income, donations, intergovernmental transfer expense, strategic funding to UW Medicine entities, and mission support paid to King County. In 2018, net nonoperating expenses decreased $313 from $17,211 for the year ended June 30, 2017 to $16,898 at June 30, 2018. In 2018, nonoperating expenses decreased as a result of an increase in donation revenue, offset by greater intergovernmental payments to the state.

Net nonoperating expenses decreased $4,763 from $21,974 for the year ended June 30, 2016 to $17,211 at June 30, 2017. In 2017, nonoperating expenses decreased as a result of a reduction in strategic funding to affiliates, primarily Northwest Hospital, and lower donation income than the previous year.




*Total Margin*

Total margin or excess margin is a ratio that defines the percentage of total revenue that has been realized in the form of net income (loss/income before capital contributions, additions to permanent endowments, and other) and is a common measure of total hospital profitability. Total margin for the fiscal years 2018, 2017, and 2016 compared to industry median is illustrated in the chart to the left.

## Financial Analysis

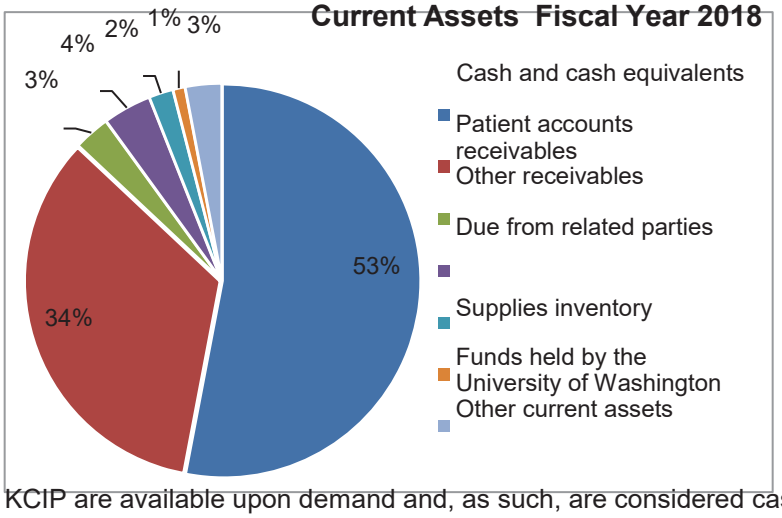
*Net Position*

The table below is a presentation of certain condensed financial information derived from Harborview's net position as of the fiscal years ended June 30, 2018, 2017, and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Current assets | $ 427,334 | 410,904 | 408,516 |
| Noncurrent assets: | | | |
| Capital assets, net | 281,437 | 290,177 | 300,364 |
| Funds held by the University of Washington | 600 | 600 | 600 |
| Assets whose use is limited | 84,538 | 102,118 | 107,462 |
| Other assets | 18,218 | 20,757 | 17,208 |
| Total assets | 812,127 | 824,556 | 834,150 |
| Current liabilities | 128,324 | 133,442 | 148,880 |
| Noncurrent liabilities | 11,131 | 11,987 | 12,951 |
| Total liabilities | 139,455 | 145,429 | 161,831 |
| Net position | 672,672 | 679,127 | 672,319 |
| Total liabilities and net position | $ 812,127 | 824,556 | 834,150 |

Total assets were $812,127 at June 30, 2018 compared to $824,556 at June 30, 2017, a decrease of $12,429. Significant events within total assets during fiscal year 2018 include a decrease in capital assets attributed to moderate capital spending and a write-down of investments restricted for capital purposes.

Total assets were $824,556 at June 30, 2017 compared to $834,150 at June 30, 2016, a decrease of $9,594. Significant events within total assets during fiscal year 2017 include a decrease in assets whose use is limited as a result of Medicaid Certified Public Expenditure (CPE) interim settlements and a decrease in capital assets attributed to moderate capital spending.

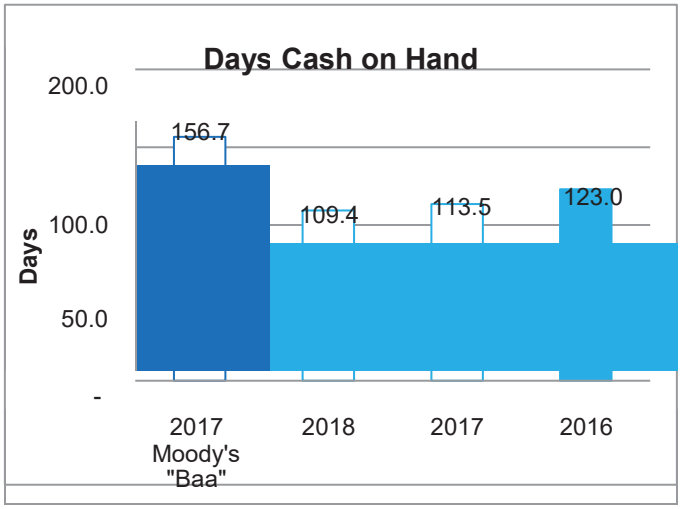



*Current Assets*

Current assets consist of cash and cash equivalents, patient accounts receivable, and other current assets that are expected to be converted to cash within a year. Total current assets were $427,334, $410,904, and $408,516 at fiscal years 2018, 2017, and 2016, respectively. Fiscal year 2018 composition of current assets is illustrated in the chart to the left.

**Cash and cash equivalents** represent amounts invested in the King County Investment Pool (KCIP) on behalf of Harborview. All amounts invested in the KCIP are available upon demand and, as such, are considered cash equivalents. Harborview's investment in the KCIP is split between cash and cash equivalents and assets whose use is limited in the statements of net position. Cash and cash equivalents increased $17,076 in 2018 from $206,777 at June 30, 2017 to $223,853 at June 30, 2018 and decreased $1,041 in 2017 from $207,818 at June 30, 2016 to $206,777 at June 30, 2017.

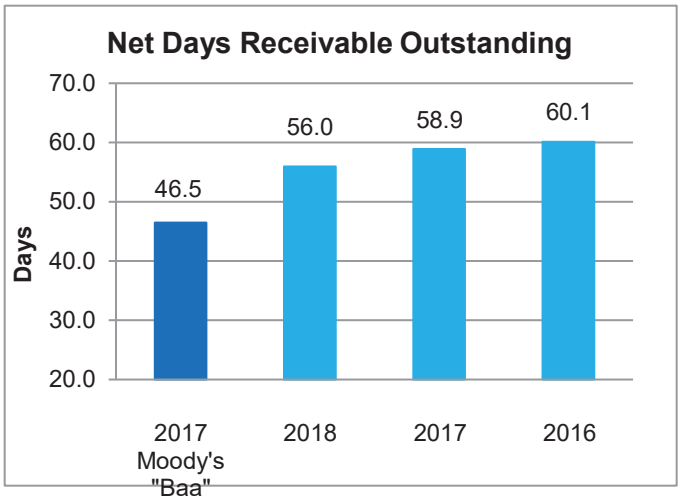
Days cash on hand is utilized to evaluate an short-term operating needs. Days cash on hand, including board and management designated assets as of June 30, 2018, 2017, and 2016 and graph to the right.




Harborview's total days cash on hand decreased 4.1 days from 113.5 days at June 30, 2017 to 109.4 days at June 30, 2018 and decreased 9.5 days from 123.0 days at June 30, 2016 to 113.5 days at June 30, 2017. The decrease of 4.1 days between 2018 and 2017 is due to an increase in operating expenses and a decrease in unrestricted cash as a result of repayment of Medicaid CPE settlements to the state.

The decrease in 2017 was due to increases in operating expenses and repayments of Medicaid CPE interim settlements to the state.

**Patient accounts receivable** were $144,517 as of June 30, 2018 compared to $148,279 as of June 30, 2017 and $145,818 at June 30, 2016. Patient accounts receivable decreased $3,762 in fiscal year 2018 and increased $2,461 in fiscal year 2017. In 2018, patient accounts receivable decreased as a result of improved billing and collection activities. In 2017, patient accounts receivable increased as a result of greater occupancy and overall favorable volumes as compared to 2016.




Days receivable outstanding indicates an organization's ability to convert net patient service revenue to cash. Days receivable outstanding as of June 30, 2018, 2017, and 2016 and comparison to Moody's rating is provided in the graph to the left.

Harborview's net days receivable outstanding decreased 2.9 days from 58.9 days at June 30, 2017 to 56.0 days at June 30, 2018 and decreased 1.2 days from 60.1 days at June 30, 2016 to 58.9 days at June 30, 2017. Net days receivable outstanding improved in both years and is driven by a continued focus on revenue cycle initiatives that improved billing and collection activities.

As of June 30, 2018 and 2017, 39% and 39% of the gross patient accounts receivable balance are due from commercial payers, 55% and 58% are due from governmental payers Medicare and Medicaid, 4% and 2% are due from self-pay patients, and 2% and 1% from the Washington Health Benefit Exchange, respectively.

**Due from related parties** consists of amounts due for services provided by Harborview to UW Medicine entities, including the School. Due from related parties increased $3,050 from $14,144 at June 30, 2017 to $17,194 at June 30, 2018 and decreased $4,732 from $18,876 at June 30, 2016 to $14,144 at June 30, 2017. The increase in 2018 and decrease in 2017 relate to the timing of payments between Harborview and other UW Medicine entities.

*Noncurrent Assets*

**Capital assets,** net of accumulated depreciation decreased $8,740 during fiscal year 2018 from $290,177 at June 30, 2017 to $281,437 at June 30, 2018 and decreased $10,187 during fiscal year 2017 from $300,364 at June 30, 2016 to $290,177 at June 30, 2017. The decrease in both years was primarily due to continued depreciation of depreciable assets offset by moderate capital spending in recent years while Harborview and King County evaluate a revised master plan for the facility.

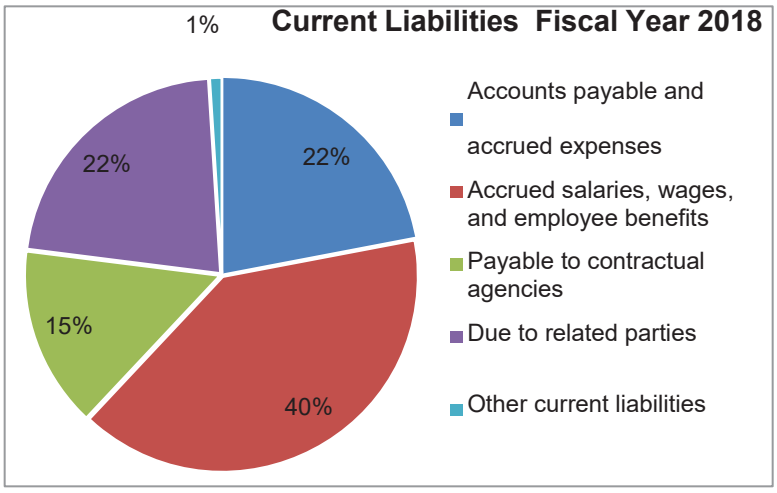
Additional discussion regarding capital asset activity during the fiscal years can be found in the notes to the financial statements.

**Assets whose use is limited** (AWUL) includes board designated, management designated, and restricted investments. These investments include cash and investments, and property held for future use and are used by Harborview to fund strategic initiatives, capital improvements, and to purchase equipment.

At June 30, 2018, total AWUL was $84,538 compared to $102,118 at June 30, 2017, a decrease of $17,580 between years. At June 30, 2017, total AWUL was $102,118 compared to $107,462 at June 30, 2016, a decrease of $5,344 between years. The decrease in AWUL between 2018 and 2017 is a result of fund transfers to cash and cash equivalents, reduction in capital spending, CPE hold harmless repayment to the state, and a write-off of $4,559 in investments following King County's exercise of control over the funds.

The decrease in AWUL between 2017 and 2016 was attributed to CPE hold harmless repayments to the state of which approximately $24,771 was paid in 2017, offset by transfers of cash and cash equivalents to AWUL.

**Other assets** consist of long-term prepaid expenses. The long-term prepaid expense reflected in other assets entitles Harborview access to the enterprise-wide information technology (IT) software and services. Other assets decreased $2,539 during fiscal year 2018 from $20,757 at June 30, 2017 to $18,218 at June 30, 2018 and increased $3,549 during fiscal year 2017 from $17,208 at June 30, 2016 to $20,757 at June 30, 2017. The decrease in 2018 and increase in 2017 is driven by the timing of IT capital projects, offset by usage based allocations.




*Current Liabilities*

Current liabilities consist of accounts payable and other accrued liabilities that are expected to be paid within a year. Total current liabilities were $128,324, $133,442, and $148,880 at June 30, 2018, 2017, and 2016, respectively. Fiscal year 2018 composition of current liabilities is illustrated in the chart to the left.

**Accounts payable and accrued expenses** decreased $267 from $28,478 at June 30, 2017 to $28,211 at June 30, 2018 and increased $7,996 from $20,482 at June 30, 2016 to $28,478 at June 30, 2017. Changes in accounts payable and accrued expenses are primarily driven by timing of payments to vendors.

**Accrued salaries, wages, and employee benefits** increased $2,360 from $49,462 at June 30, 2017 to $51,822 at June 30, 2018 and increased $2,299 from $47,163 at June 30, 2016 to $49,462 at June 30, 2017. Changes in accrued salaries, wages, and employee benefits are primarily driven by the number of employees, employee merit and fringe benefit rate increases, and compensated absences accrual.

**Payable to contractual agencies** consists of estimated reserves for Medicare cost reports and Medicaid CPE settlements. Payable to contractual agencies decreased $9,186 from $29,059 at June 30, 2017 to $19,873 at June 30, 2018 and decreased $19,485 from $48,544 at June 30, 2016 to $29,059 at June 30, 2017. The decrease in fiscal year 2018 relates to lower current year reserve requirements and a finalization of multiple prior year settlements. The decrease in fiscal year 2017 was driven by a $24,771 repayment of Medicaid CPE hold harmless to the state.

**Due to related parties** consists of amounts due for services provided to Harborview from UW Medicine shared services, including IT, the School, and funding to King County. Amounts due to related parties increased $2,090 from $25,642 at June 30, 2017 to $27,732 at June 30, 2018 decreased $5,708 from $31,350 at June 30, 2016 to $25,642 at June 30, 2017. The increase in 2018 and decrease in 2017 in due to related parties is primarily driven by timing of payments to related parties.

## Factors Affecting the Future

*Economic Uncertainty Facing the Healthcare Industry*

The healthcare industry, in general, and the acute care hospital business, in particular, are experiencing considerable regulatory uncertainty based, in large part, on legislative efforts to significantly modify or repeal and potentially replace the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (ACA). It is difficult to predict the full impact of these actions on Harborview's future revenues and operations. Changes to the ACA are likely to significantly impact Harborview.

However, we believe that our ultimate success in increasing profitability depends in part on our success in executing our strategies. In general, these strategies are intended to improve financial performance through the reduction of costs and streamlining how we provide clinical care as well as mitigating the recent negative reimbursement trends being experienced within the market. With a continued focus on patient volumes shifting from inpatient to outpatient settings due to technological advancements and demand for care that is more convenient, affordable, and accessible as well as industry-wide migration to value-based payment models as government and private payers shift risk to providers, Harborview's success at managing costs and care efficiently is paramount.

*UW Medicine/MultiCare Alliance*

In July 2017, UW Medicine and MultiCare Health System (MultiCare) announced the formation of a new alliance that will expand access to high-quality healthcare and allow the two organizations to engage in joint activities to further the mission of each organization. Through this clinically integrated network (CIN), UW Medicine and MultiCare will provide cost-effective and clinically integrated healthcare in communities throughout the Puget Sound region while supporting the education of the next generation of clinicians and advancing research. The parties' joint activities will be guided by four core principles: the provision of high-quality, patient-centered care; a commitment to teaching and research; ensuring strong financial stewardship to deliver value to the payers of healthcare services; and a focus on improving the health of populations served by the alliance. In June 2018, the University's board of regents approved formation of the CIN legal entity, which is expected to occur in late 2018.

*UW Medicine Accountable Care Network*

In 2014, UW Medicine formed an Accountable Care Network (ACN) with other selected healthcare organizations and healthcare professionals in Western Washington to create a care delivery network to assume responsibility for the healthcare of contracted patient populations in order to achieve the Triple Aim: improved healthcare experience for the individual, improved health of the population, and more affordable care.

- The ACN has contracted with the Washington Health Care Authority (HCA) to participate in its Puget Sound Accountable Care Program (ACP) as a healthcare benefit option for Public Employees Benefits Board (PEBB) members. The ACP is offered to all PEBB members who reside in Snohomish, King, Kitsap, Pierce, and Thurston counties. This contract with HCA covering PEBB members began January 1, 2016.
- A subset of the network members have also agreed to participate with the ACN in a contract with Premera as part of its Accountable Health System (AHS) product. As an AHS, the UW Medicine ACN shares in accountability for the quality and cost of healthcare for Premera members who select this plan. This product was sold both on and off the Washington Health Exchange in select counties with coverage that began January 1, 2016. The AHS must have 5,000 planwide members per product, per region for UW Medicine ACN to share in financial savings and risk. The ACN was not at risk for the AHS product in calendar year 2017 but is at risk in calendar year 2018.
- The UW Medicine ACN also entered into an agreement to provide healthcare services to nonunion employees of a large local employer with coverage that began January 1, 2015.

These arrangements provide an opportunity for shared savings between the ACN and the contracted entity based on achieving quality and financial benchmarks. If certain financial benchmarks are not attained, UW Medicine, along with its network members, is at risk for reductions in payment levels from the contracted entity based on the agreement.

*Investments in Information Technology*

In July 2018, the University's board of regents granted approval to proceed with the UW Medicine clinical transformation program. This multi-year program will allow UW Medicine to improve patient engagement, physician and practitioner experience, and to achieve business and operating efficiencies through development of foundational systems and improved staffing workflows. Patient engagement will be enhanced through development of a single online patient portal for activities between the patient and UW Medicine. More online service opportunities and easy navigation will create additional opportunities for communication between the patient and their care team. UW Medicine will achieve business and operating efficiencies through simplification and standardization across operations and IT, resulting in revenue cycle improvements and optimized resource utilization. Total program costs are estimated at $180,000, of which $129,000 will be financed through the University's Internal Lending Program (ILP). The remaining portion will be funded by Harborview, UW Medical Center, Northwest Hospital, and Seattle Cancer Care Alliance. Program kick-off will be in November 2018, with initial implementation occurring in April 2020.

*Financial Stability Plan/Project FIT*

UW Medicine has developed a three-year plan to improve and transform financial results known as Project FIT. UW Medicine leadership established site specific and system-wide assumptions to develop a baseline long range plan to compare against financial performance goals and margin targets. Improvement initiatives that are anticipated to positively impact the financial performance have been identified and will be actively monitored and measured as UW Medicine completes the work to operationalize them. Project FIT is intended to improve operating performance over the next three years so that by fiscal year 2020, UW Medicine will be achieving improved margins and cash levels. In November 2017, the University's board of regents granted approval to proceed with Project FIT. UW Medicine leadership will continue seeking to identify additional initiatives and work with UW Treasury and Central Administration to advance progress on initiatives requiring support at the University level.

*Employee Costs*

Rising benefit costs, particularly for pensions and healthcare, continue to impact the University and Harborview, in particular where University employees are deployed at Harborview. Employer pension funding rates for the PERS pension plans increased 14.0% during fiscal year 2018 from 11.18% to 12.70% of covered salary but will remain unchanged during fiscal year 2019. Likewise, the monthly employer base rate paid by the University and Harborview for employee healthcare increased 3.0% during fiscal year 2018 from $888 to $913 per active employee but will be mostly unchanged during fiscal year 2019. Both rates, however, are likely to continue increasing over the next few years.

The University has a financial responsibility for pension benefits associated with the Public Employees' Retirement System (PERS) defined-benefit plans and University of Washington Supplemental Retirement Plan defined-benefit plan (as described in note 9), which include those University employees deployed at Harborview. Pension liabilities and the respective deferred outflow and inflow of resources are determined by actuarial reports. Management evaluated the requirements of these accounting pronouncements and determined that they are not applicable to Harborview, as Harborview is not part of the University's financial reporting entity, Harborview does not directly fund the employer contribution to the Department of Retirement System, and Harborview has no legal responsibility for benefit payments of the plan directly to employees. All funding obligations to the University are on a pay-as-you-go basis. As the liability continues to grow, Harborview's cash funding obligation will also increase. Although Harborview funds its share of pension funding expense through the University benefit load rate, Harborview does not record a net pension liability on its financial statements. The portion of the University's pension liabilities at June 30, 2018 and June 30, 2017 that relates to University employees deployed at Harborview was approximately $241,224 and $302,500, respectively. In addition, Harborview's annual pension funding was $38,057 and $28,422 in fiscal years 2018 and 2017, respectively, which is recorded as benefits expense on the statements of revenues, expenses, and changes in net position.

In fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (as described in note 9), which establishes new actuarial methods and discount rate standards for the measurement and recognition of the cost of postemployment benefits provided to the employees of state and local governmental employers which includes those University employees deployed at Harborview. The University has recognized its proportionate share of the state of Washington's actuarially determined total OPEB liability, deferred inflows of resources and deferred outflows of resources, and OPEB expense. Management evaluated the requirements of this standard and determined that it is not applicable to Harborview as Harborview is not part of the University's financial reporting entity, Harborview does not directly fund the employer contribution to the state, and Harborview has no legal responsibility for benefit payments of the plan directly to employees. All funding obligations to the University are on a pay-as-you-go basis. As the liability continues to grow, Harborview's cash funding obligation will also increase. Although Harborview funds its share of OPEB funding expense through the University benefit load rate, Harborview does not record an OPEB liability on its financial statements. The portion of the University's OPEB liability and OPEB expense at June 30, 2018 that relates to University employees deployed at Harborview was $232,231 and $18,980, respectively. In addition, Harborview's annual OPEB funding was $3,854 and $3,814 in fiscal years 2018 and 2017, respectively, which is recorded as benefits expense on the statements of revenue, expenses, and changes in net position.

**HARBORVIEW MEDICAL CENTER** (A Component Unit of King County) (Operated by the University of Washington)

Statements of Net Position

June 30, 2018 and 2017

(Dollar amounts in thousands)

| Assets | | 2018 | 2017 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 223,853 | 206,777 |
| Funds held by the University of Washington | | 5,593 | 7,345 |
| Patient accounts receivable, less allowance for uncollectible accounts of $41,014 in 2018 and $32,857 in 2017 | | 144,517 | 148,279 |
| Other receivables | | 13,683 | 10,535 |
| Due from related parties | | 17,194 | 14,144 |
| Supplies inventory | | 10,126 | 11,909 |
| Other current assets | | 12,368 | 11,915 |
| Total current assets | | 427,334 | 410,904 |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | | 281,437 | 290,177 |
| Fund held by the University of Washington | | 600 | 600 |
| Assets whose use is limited | | 84,538 | 102,118 |
| Other assets | | 18,218 | 20,757 |
| Total noncurrent assets | | 384,793 | 413,652 |
| Total assets | $ | 812,127 | 824,556 |
| **Liabilities and Net Position** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ | 28,211 | 28,478 |
| Accrued salaries, wages, and employee benefits | | 51,822 | 49,462 |
| Due to related parties | | 27,732 | 25,642 |
| Payable to contractual agencies | | 19,873 | 29,059 |
| Current portion of unearned rent | | 686 | 686 |
| Current portion of long-term debt | | — | 115 |
| Total current liabilities | | 128,324 | 133,442 |
| Noncurrent liabilities: | | | |
| Unearned rent and other | | 11,131 | 11,987 |
| Total liabilities | | 139,455 | 145,429 |
| Net position: | | | |
| Net investment in capital assets | | 281,437 | 290,062 |
| Expendable, restricted | | 6,114 | 10,234 |
| Nonexpendable, restricted | | 2,664 | 2,632 |
| Unrestricted | | 382,457 | 376,199 |
| Total net position | | 672,672 | 679,127 |
| Total liabilities and net position | $ | 812,127 | 824,556 |

See accompanying notes to basic financial statements.

**HARBORVIEW MEDICAL CENTER**
(A Component Unit of King County)
(Operated by the University of Washington)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017

(Dollar amounts in thousands)

| | 2018 | 2017 |
|---|---|---|
| Operating revenues: | | |
| Net patient service revenues (net of provision for uncollectible accounts of $31,868 in 2018 and $23,000 in 2017) | $ 942,623 | 918,904 |
| Other operating revenues | 85,839 | 79,526 |
| Total operating revenues | 1,028,462 | 998,430 |
| Operating expenses: | | |
| Salaries and wages | 380,376 | 367,494 |
| Employee benefits | 132,079 | 119,419 |
| Purchased services | 251,101 | 233,846 |
| Supplies | 178,595 | 180,052 |
| Other | 47,388 | 41,445 |
| Depreciation | 28,615 | 32,382 |
| Total operating expenses | 1,018,154 | 974,638 |
| Income from operations | 10,308 | 23,792 |
| Nonoperating revenues (expenses): | | |
| Investment income, net | 4,593 | 2,985 |
| Interest expense | (5) | (28) |
| Funding to affiliates | (15,987) | (14,189) |
| Funding to King County | (5,000) | (5,000) |
| Other, net | (499) | (979) |
| Nonoperating expenses | (16,898) | (17,211) |
| (Loss) income before capital contributions, additions to permanent endowments, and other | (6,590) | 6,581 |
| Capital contributions, additions to permanent endowments, and other: | | |
| Additions to permanent endowments | 32 | 98 |
| Capital contributions and other transfers | 103 | 129 |
| Total capital contributions, additions to permanent endowments, and other | 135 | 227 |
| (Decrease) increase in net position | (6,455) | 6,808 |
| Net position – beginning of year | 679,127 | 672,319 |
| Net position – end of year | $ 672,672 | 679,127 |

See accompanying notes to basic financial statements.

**HARBORVIEW MEDICAL CENTER** (A Component Unit of King County) (Operated by the University of Washington)

Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Dollar amounts in thousands)

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received for patient service revenues | $ 937,154 | 897,060 |
| Cash received for other services | 84,585 | 74,424 |
| Cash paid to employees | (510,095) | (484,614) |
| Cash paid to suppliers and others | (471,324) | (454,929) |
| Net cash provided by operating activities | 40,320 | 31,941 |
| Cash flows from noncapital financing activities: | | |
| Funding to affiliates | (15,942) | (14,291) |
| Funding to King County | (5,000) | (5,000) |
| Additions to permanent endowments | 32 | 98 |
| Other | (156) | (275) |
| Net cash used in noncapital financing activities | (21,066) | (19,468) |
| Cash flows from capital and related financing activities: | | |
| Principal payments on long-term debt | (115) | (655) |
| Cash paid for interest | (5) | (30) |
| Capital expenditures | (19,634) | (21,288) |
| Capital contributions | 103 | 129 |
| Net cash used in capital and related financing activities | (19,651) | (21,844) |
| Cash flows from investing activities: | | |
| Assets whose use is limited | 13,289 | 4,852 |
| Investment income | 4,184 | 3,478 |
| Net cash provided by investing activities | 17,473 | 8,330 |
| Increase (decrease) in cash and cash equivalents | 17,076 | (1,041) |
| Cash and cash equivalents, beginning of year | 206,777 | 207,818 |
| Cash and cash equivalents, end of year | $ 223,853 | 206,777 |
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | $ 10,308 | 23,792 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 28,615 | 32,382 |
| Provision for uncollectible accounts | 31,868 | 23,000 |
| Investment write-off | 4,559 | — |
| Net increase in current and other assets | (28,541) | (29,978) |
| Net decrease in current liabilities, except current portion of long-term debt | (5,633) | (16,414) |
| Decrease in unearned rent and other | (856) | (841) |
| Net cash provided by operating activities | $ 40,320 | 31,941 |
| Supplemental disclosure of cash flow information: | | |
| Increase in capital assets included in accounts payable | $ 585 | 1,118 |

See accompanying notes to basic financial statements.

## (1) Organization

Harborview Medical Center (Harborview) is a 413 licensed bed hospital operating in Seattle, Washington with extensive ambulatory services and is a component unit of King County, Washington (King County). Harborview is managed and operated by UW Medicine under a Hospital Services Agreement between King County and the Board of Regents of the University of Washington (the University) in accordance with policies established by the Harborview Board of Trustees (the Trustees). Harborview is a Level 1 adult and pediatric trauma medical center that serves a four state region with centers of emphasis for areas of care.

The first management contract for the University to operate and manage Harborview was effective on July 1, 1967 and was revised and extended several times. In January 2016, the King County Council approved a new Hospital Services Agreement (the Agreement) effective February 25, 2016. The Agreement has a ten-year term and may be renewed by the parties for two successive ten-year terms.

The Agreement recognizes the shared goal of UW Medicine and King County to provide the Harborview mission population with access to primary, secondary, tertiary, and quaternary services and UW Medicine's mission to improve the health of the public through its clinical, research, and teaching activities.

Under the Hospital Services Agreement, King County retains title to all real and personal properties acquired for King County with Harborview capital or operating funds. These real and personal properties are recorded on Harborview's books and facility revenues for the operation of Harborview are deposited in a King County account that is separate from general King County accounts. The Trustees are accountable to the public and King County government for all financial aspects of Harborview's operation and agree to maintain a fiscal policy that keeps the essential operating program and expenditures within the limits of the operating income. The Trustees are responsible for adopting operational standards of patient care as developed and recommended by UW Medicine. All such standards must comply with the requirements of applicable agencies, such as The Joint Commission.

One significant provision under the Agreement requires that for each year of the Agreement, the Trustees will allocate and disburse to King County $5,000 from Harborview revenue or reserves to support Mission Population programs and services that are currently being provided by King County. The annual allocation and disbursement may be reduced by an amount agreed to by the parties based on reductions in costs incurred by King County or new funding sources that would not otherwise be received by King County. During fiscal years 2017 and 2018, the annual allocation was not reduced. Since 2016, Harborview has paid $10,000 to King County.

UW Medicine staffs, manages, and provides all medical, dental, and other professional services to Harborview patients through University employees and University School of Medicine faculty. UW Medicine conducts research and teaching activities at Harborview, consistent with University policies. The University retains authority over all personnel and employment matters involving University employees who work at Harborview. UW Medicine continues to be responsible for management of the facilities and development of the six-year Capital Improvement Plan for review and approval by the Trustees and King County. UW Medicine manages Harborview so as to retain its institutional identity in a manner which, to the extent of the funds available to Harborview, will achieve the aims of the Trustees to meet their community obligations and provide services to address the community's needs, as identified in Harborview's mission statement.

A special account is maintained with the University to receive reimbursement payments from Harborview's operating account and to pay for the costs of all services and expenditures provided by the University.

Harborview is an entity of UW Medicine which also includes UW Medical Center, UW Medicine/Northwest dba Northwest Hospital & Medical Center (Northwest Hospital), Valley Medical Center (VMC), UW Neighborhood Clinics (UWNC), UW Physicians (UWP), UW School of Medicine (the School), and Airlift Northwest (Airlift).

## (2) Summary of Significant Accounting Policies

### *(a) Accounting Standards*

The accompanying basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for state and local governments as prescribed by the Governmental Accounting Standards Board (GASB). Harborview uses proprietary fund accounting.

### *(b) Basis of Accounting*

Harborview's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

### *(c) Use of Estimates*

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Significant estimates in Harborview's financial statements include patient accounts receivable allowances and payable to contractual agencies.

### *(d) Cash and Cash Equivalents*

Cash and cash equivalents primarily comprise investments held in an external investment pool managed for Harborview by King County.

(Dollar amounts in thousands)

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC). All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews pool performance monthly. The King County Investment Pool was invested as follows at June 30:

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | 6.2 % | 5.5 % |
| U.S. Treasury and agencies | 73.0 | 67.7 |
| Washington State Local Government Investment Pool | 6.5 | 11.2 |
| Corporate and other fixed income | 14.3 | 15.6 |
| Total | 100.0 % | 100.0 % |

Concentrations of credit risk consist of pooled investments held on behalf of Harborview at King County.

The King County Investment Pool allocates participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses, (2) interest income based on stated rates (both paid and accrued), and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon investment fee.

Harborview has unrestricted access to deposit and withdraw from the King County Investment Pool at its discretion and without limitation, and as such, these investments are considered cash equivalents. Harborview has cash equivalents of $223,853 and $206,777 as of June 30, 2018 and 2017, respectively.

### *(e) Assets Whose Use is Limited*

Assets whose use is limited include board designated, management designated, and restricted assets set aside for future capital and program purposes over which the Trustees and management retain control. Investments are held in the King County Investment Pool, managed for Harborview by King County, and are carried at amortized cost. Harborview has assets whose use is limited of $84,538 and $102,118 as of June 30, 2018 and 2017, respectively.

Disclosure requirements related to investment risk, credit risk, interest rate risk, foreign currency risk, and deposit risk are applicable to the primary government, which, as it relates to Harborview, is King County.

(Dollar amounts in thousands)

### *(f) Inventories*

Inventories consist primarily of surgical, medical, and pharmaceutical supplies in organized stores at various locations across the Harborview. Inventories are recorded at the lower of cost (first-in, first-out) or market.

### *(g) Capital Assets*

Capital assets, defined as purchases with a per item cost of $5 or greater and a useful life of at least two years, are stated at cost at acquisition or, if acquired by gift, at fair market value at the date of the gift. Additions, replacements, major repairs, and renovations are capitalized. Maintenance and repairs are expensed. The cost of the capital assets sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded.

The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property ratably over its estimated useful life. The estimated useful lives used by Harborview are as follows:

| | |
|---|---|
| Land improvements | 25 years |
| Buildings, renovations, and furnishings | 5–50 years |
| Fixed equipment | 5–25 years |
| Movable equipment | 3–20 years |
| Leasehold improvements | The shorter of the lease term or useful life of the asset |

Interest is capitalized on large construction projects as a cost of the related project beginning with commencement of construction and ceases when the construction period ends and the related asset is placed in service. No interest was capitalized during 2018 and 2017.

### *(h) Other Assets*

UW Medicine IT Services (ITS) (a department of the University) records enterprise-wide IT capital assets that are purchased for use by UW Medicine entities. Harborview provides advance funding to UW Medicine ITS, which entitles Harborview access to the enterprise-wide IT software and services. The prepaid portion of this funding is reported within other current assets and other assets in the statements of net position. At June 30, 2018 and 2017, $11,500 and $9,500, respectively, is recorded in other current assets and $18,218 and $20,757 is recorded in other assets, respectively.

### *(i) Compensated Absences*

University employed staff at Harborview earn annual leave at rates based on length of service and sick leave at the rate of one day per month. Annual leave balances, which are limited to 240 hours, can be converted to monetary compensation upon employment termination. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours or for any balance upon retirement or death. Harborview recognizes annual and sick leave liabilities when earned.

Annual leave accrued at June 30, 2018 and 2017 is $22,383 and $23,988, respectively. Sick leave accrued as of June 30, 2018 and 2017 is $5,766 and $4,224, respectively. Compensated absences are reported within the accrued salaries, wages, and employee benefits in the statements of net position.

### *(j) Payable to Contractual Agencies*

Harborview is reimbursed for Medicare inpatient, outpatient, psychiatric, and rehabilitation services and for capital and medical education costs during the year either prospectively or at an interim rate. The difference between interim payments and the reimbursement computed based on the Medicare filed cost report results in an estimated receivable from or payable to Medicare at the end of each year. The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to Harborview until after the cost reports have been audited or otherwise reviewed and settled by Medicare.

Public hospitals located in the state of Washington designated by the Washington State Legislature (the state) are reimbursed at the "full cost" of Medicaid inpatient covered services under the public hospital Certified Public Expenditures (CPE) payment method. See note 3(a) for discussion regarding this program.

The estimated settlement amounts for Medicare cost report and CPE payments that are not considered final are included in payable to contractual agencies in the accompanying statements of net position.

### *(k) Classification of Revenues and Expenses*

Harborview's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue, such as net patient service revenues, result from exchange transactions associated with providing healthcare services, Harborview's primary business. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values.

Operating expenses are all expenses, other than financing costs, incurred by Harborview to provide healthcare services to patients.

Nonoperating revenues and expenses are recorded for nonexchange and certain exchange transactions. This activity includes investment income, net, interest expense, intergovernmental transfer expense, funding to King County, and strategic funding to affiliates of UW Medicine.

### *(l) Net Patient Service Revenues*

Harborview has agreements with third-party payers that provide for payments to Harborview at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payers is as follows:

*Medicare*

Acute inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on Medicare severity diagnosis-related groupings (MS-DRGs), as well as reimbursements related to capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for Medicare outpatient services are provided based on a prospective payment system known as ambulatory payment classifications (APC). APC payments are prospectively established and may be greater than or less than the primary government's actual charges for its services. The Medicare program utilizes the prospective payment system known as case mix group (CMG) for rehabilitation services reimbursement. As with MS-DRGs, CMG payments are prospectively established and may be greater than or less than Harborview's actual charges for its services. Psychiatric services are also paid prospectively using a federal per diem payment rate adjusted for comorbidity and various adjustment factors. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

*Medicaid*

Inpatient services rendered to Medicaid program beneficiaries are provided at prospectively determined rates per discharge. Outpatient services rendered are provided based on the APC prospective payment system. See note 3(a) for discussion surrounding the Medicaid certified public expenditures program.

*Commercial*

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

*Exchange (HIX)*

Washington State health exchange (HIX) entered into agreements with certain commercial insurance plans to provide patients access to healthcare services. The basis for payment to Harborview under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

### *(m) Accountable Care Network*

UW Medicine has formed an Accountable Care Network (ACN) with other healthcare organizations and healthcare professionals to share financial and clinical responsibility for the healthcare of particular populations of patients. Harborview, as part of UW Medicine, is a network member of the UW Medicine ACN and as such shares in any risk contract surplus or deficits based on agreed-upon contractual terms. Since its inception, the ACN has entered into various contracts, which include provisions for shared risk as well as shared savings based on achieving certain quality and financial benchmarks. Harborview, as part of UW Medicine, and the other network members share in the financial risk or savings. At June 30, 2018 and 2017, Harborview has recorded a liability of $2,223 and $1,865, respectively, for its portion of the estimated liability related to these risk-sharing arrangements, which is reflected in due to related parties in the accompanying statements of net position.

### *(n) Financial Assistance*

Harborview provides care without charge to patients who meet certain criteria under its financial assistance policy. Harborview maintains records to identify and monitor the level of financial assistance it provides. These records include charges foregone for services and supplies furnished under its financial assistance policy to the uninsured and the underinsured. Because Harborview does not pursue collection of amounts determined to qualify as financial assistance, these are not reported as net patient service revenue. The charges associated with financial assistance provided by the Hospital are approximately $82,847 and $75,084, respectively, for the years ended June 30, 2018 and 2017.

Harborview estimates the cost of financial assistance using its Medicaid cost to charge ratio of 40% for both fiscal years ended June 30, 2018 and 2017. Applying Harborview's Medicaid cost to charge ratio of 40% to total financial assistance of $82,847 results in an estimated cost of financial assistance of $33,139 for the fiscal year ended June 30, 2018. Applying Harborview's Medicaid cost to charge ratio of 40% to total financial assistance of $75,084 results in an estimated cost of financial assistance of $30,034 for the fiscal year ended June 30, 2017.

### *(o) Net Position*

Harborview's net position is classified in various components. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by outstanding borrowings used to finance the purchase or construction of those assets. Expendable restricted net position consists of resources that Harborview is legally or contractually obligated to expend in accordance with time or purpose restrictions placed by donors and/or external parties. Nonexpendable restricted net position, primarily endowments, represents gifts to Harborview's permanent endowment funds, in which the donor or other external party has imposed a restriction that the corpus is not available for expenditure. Unrestricted net position is all other funds available to Harborview for any purpose associated with its operations and mission.

### *(p) Federal Income Taxes*

Harborview, as a component of the State of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code.

### *(q) Recently Adopted and New Accounting Pronouncements*

On July 1, 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), which establishes new actuarial methods and discount rate standards for the measurement and recognition of the cost of postemployment benefits provided to the employees of state and local governmental employers. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which the University was not previously required to adopt. As a result of implementing Statement No. 75, the University has recognized its proportionate share of the State of Washington's actuarially determined total OPEB liability, deferred inflows of resources and deferred outflows of resources, and OPEB expense. Management evaluated the impact of this statement and determined that it is not applicable to Harborview as Harborview does not directly fund the employer contribution to the state and Harborview is not part of the financial reporting entity of the University. Thus, Harborview has not recorded an OPEB liability on its basic financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations,* which will be effective for the fiscal year ending June 30, 2019. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have legal obligations to perform future tangible asset retirement activities will need to recognize a liability and offsetting deferred outflow of resources when incurred and reasonably estimable. The basis of the estimate is the current value of the future outlays expected to be incurred and adjusted annually for inflation and any changes of relevant factors. The deferral is to be recognized as an expense in a systematic and rational manner over the life of the tangible capital asset. The liability is derecognized as retirement costs are paid. The standard requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. Harborview is currently analyzing the impact of this statement.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the fiscal year ending June 30, 2021. This statement establishes a single model for lease accounting based on the foundational principle that leases represent financings of the right to use an underlying asset. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. Contracts that convey the right to use a nonfinancial asset in an exchange or exchange-like transaction for a term exceeding 12 months are defined by the GASB as a lease. Harborview is currently analyzing the impact of this statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which will be effective for the fiscal year ending June 30, 2021. This statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will not be included in the capitalized cost of capital assets reported by Harborview. This statement will be applied on a prospective basis, and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. Harborview is currently analyzing the impact of this statement.

### *(r) Reclassifications*

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

## (3) Net Patient Service Revenues

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. In 2018 and 2017, net patient service revenues include approximately $10,480 and $6,505 of revenue, respectively, relating to prior years' net Medicare and Medicaid settlements and revised estimates, including Disproportionate Share Hospital (DSH) reimbursement and the CPE program.

(Dollar amounts in thousands)

The following are the components of net patient service revenues for the years ended June 30:

| | | 2018 | 2017 |
|---|---|---|---|
| Gross patient service revenues | $ | 2,447,288 | 2,354,013 |
| Less adjustments to patient service revenues: | | | |
| Financial assistance | | (82,847) | (75,084) |
| Contractual discounts | | (1,389,950) | (1,337,025) |
| Provision for uncollectible accounts | | (31,868) | (23,000) |
| Total adjustments to patient service revenues | | (1,504,665) | (1,435,109) |
| Net patient service revenues | $ | 942,623 | 918,904 |

Harborview grants credit without collateral to its patients, most of whom are local residents and insured under third-party payer agreements. Patient accounts receivable is valued utilizing historical collection rates across the various payers. The mix of gross patient service revenues and gross accounts receivable from significant third-party payers for the years ended June 30, 2018 and 2017 is as follows:

| | Gross patient service revenues | Gross accounts receivable |
|---|---|---|
| 2018: | | |
| Medicare | 30 % | 25 % |
| Medicaid | 33 | 30 |
| Commercial and other | 32 | 39 |
| Self-pay | 3 | 4 |
| Exchange (HIX) | 2 | 2 |
| Total | 100 % | 100 % |
| 2017: | | |
| Medicare | 30 % | 25 % |
| Medicaid | 34 | 33 |
| Commercial and other | 31 | 39 |
| Self-pay | 3 | 2 |
| Exchange (HIX) | 2 | 1 |
| Total | 100 % | 100 % |

***(a) Medicaid Certified Public Expenditure Reimbursement***

Public hospitals located in the state of Washington designated by the Washington State Legislature are reimbursed at the "full cost" of Medicaid inpatient covered services under the public hospital CPE payment method.

"Full cost" payments are determined using the respective hospital's Medicaid ratio of cost to charges to determine the cost for covered medically necessary services. The costs will be certified as actual expenditures by the hospital and the State claims federal match on the amount of the related certified public expenditures. Per the Centers for Medicare and Medicaid Services (CMS) approved Medicaid State Plan, participating hospitals receive only the federal match portion of the allowable costs. Harborview recognized $47,714 and $48,413 in claims payments under this program for the years ended June 30, 2018 and 2017, respectively.

In addition, Harborview receives the federal match portion of DSH payments, which are the lesser of qualifying uncompensated care cost or the hospital's specific limit. Harborview recognized $42,603 and $41,637 in DSH funding under this program for the years ended June 30, 2018 and 2017, respectively.

Since the inception of the program, the Washington State Legislature has provided, through an annual budget proviso, a "hold harmless" provision for hospitals participating in the CPE program. Through this proviso, hospitals participating in the CPE program will receive no less in combined state and federal payments than they would have received under the previous payment methodology. In addition, the hold harmless provision ensures that participating hospitals receive DSH payments as specified in the legislation.

In the event of a shortfall between CPE program payments and the amount determined under the hold harmless provision, the difference is paid to the hospitals as a grant from state-only funds. Harborview recognized $0 and $4,578 in state grants for the years ended June 30, 2018 and 2017, respectively. Claims payments, DSH payments, and state grant funds are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

CPE payments are subject to retrospective determination of actual costs once Harborview's Medicare cost report is audited. CPE program payments are not considered final until retrospective cost reconciliation is complete after Harborview receives its Medicare Notice of Program Reimbursements for the corresponding cost reporting year.

Interim state grant payments are retrospectively reconciled to "hold harmless" after actual claims are repriced using the applicable DRG payment methodology. This process takes place approximately 12 months after the end of the fiscal year and results in either a payable to, or receivable from, the state Medicaid program. Harborview has estimated the expected final settlement amounts based on the difference between CPE payments received and the estimated hold harmless amount. As of June 30, 2018 and 2017, respectively, Harborview has an estimated payable of $15,354 and $20,040 for the CPE program, which is included in payable to contractual agencies in the statements of net position.

### *(b) Professional Services Supplemental Payment and Provider Access Payment Program*

The professional services supplemental payment (PSSP) and provider access payment (PAP) program are programs managed by the Washington State Health Care Authority (HCA) benefiting certain public hospitals.

Under the program, UW Medical Center, Harborview, UWP, and Children's University Medical Group (CUMG) receive supplemental Medicaid payments for the physician and other professional services for which they bill. These supplemental payments equal the difference between the standard Medicaid reimbursement and the upper payment limit allowable by federal law. UW Medical Center and Harborview provide the nonfederal share of the supplemental payments that are used to obtain the matching federal funds.

Harborview recorded $14,214 and $12,266 for the years ended June 30, 2018 and 2017 in intergovernmental transfers (IGT) to HCA related to professional claims paid in those fiscal years, which is recorded as funding to affiliates in the statements of revenues, expenses, and changes in net position. There is no requirement that UWP and CUMG PSSP and PAP payments be returned to Harborview and UW Medical Center as a condition for making the IGT's.

HCA uses the federal match funds to make PSSP payments to UW Medicine entities and through the Medicaid managed care plans for PAP. Harborview recognized $5,626 and $5,001 in supplemental payments for the years ended June 30, 2018 and 2017, respectively. These payments are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

PSSP and PAP funds are combined with other revenue used by the School for the central support of faculty costs. Thus, the School requires less funding from Harborview and UW Medical Center. Harborview's clinical department funding to the School was recorded in purchased services expense in the statements of revenues, expenses, and changes in net position and reduced by $28,814 and $25,503 in fiscal years 2018 and 2017, respectively, due to the PSSP and PAP funds received by the School.

### *(c) Hospital Safety Net Program*

The Hospital Safety Net Assessment Act (HSNA) uses local funds obtained through an assessment levied on Prospective Payment System (PPS) hospitals and federal matching funds to increase Medicaid payments to hospitals. Under this program, PPS program hospitals are assessed a fee on all non-Medicare patient days.

Under the HSNA program, PPS hospitals receive supplemental Medicaid payments, Critical Access Hospitals receive disproportionate share payments, and CPE hospitals receive state grants. The program has an expiration date of June 30, 2019.

Harborview is exempt from the assessment as the hospital is operated by an agency of the state government and also participates in the CPE program.

Harborview recognized grant funding related to the HSNA program of $10,260 for the years ended June 30, 2018 and 2017, which is recorded in other operating revenues in the statements of revenues, expenses, and changes in net position.

### *(d) Other Federal and State Funding*

As a regional trauma center, Harborview is eligible for additional state funding in both 2018 and 2017 through the Trauma Enhancement program. Participating hospitals receive a pro-rata share of the pool appropriated for this program based on their portion of total inpatient and outpatient Medicaid claims submitted. Harborview recognized $10,078 and $6,519 for the years ended June 30, 2018 and 2017, respectively. In addition to the funding received through the Trauma Enhancement program, Harborview recognized state sponsored trauma grants in the amount of $1,626 and $1,520 for the years ended June 30, 2018 and 2017, respectively. Funds from both programs are included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

## (4) State Appropriation

An appropriation is made by the State to the University on a biennial basis, specifically designated by the state for training of future healthcare professionals and to upgrade the skills of current practitioners. Harborview is designated as a division of the major program “hospitals” included within the total appropriation. Due to the nature of the designation, these amounts are included in other operating revenues in the accompanying statements of revenues, expenses, and changes in net position. Harborview recognized $6,470 and $6,389 for the years ended June 30, 2018 and 2017, respectively.

(Dollar amounts in thousands)

## (5) Capital Assets

The activity in Harborview's capital asset and related accumulated depreciation accounts for the years ended June 30, 2018 and 2017 is set forth below:

| | Balance June 30, 2017 | Additions | Transfers | Retirements | Balance June 30, 2018 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 2,432 | — | — | — | 2,432 |
| Construction in process | 19,269 | 12,707 | (17,278) | — | 14,698 |
| Total capital assets, not being depreciated | 21,701 | 12,707 | (17,278) | — | 17,130 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 5,907 | — | 1,235 | (53) | 7,089 |
| Buildings, renovations, and furnishings | 421,868 | — | 9,790 | (25,966) | 405,692 |
| Fixed equipment | 140,545 | — | 3,321 | (19,582) | 124,284 |
| Movable equipment | 220,729 | 7,687 | 2,650 | (43,102) | 187,964 |
| Leasehold improvements | 10,482 | — | 282 | (367) | 10,397 |
| Total capital assets, being depreciated | 799,531 | 7,687 | 17,278 | (89,070) | 735,426 |
| Total capital assets at historical cost | 821,232 | 20,394 | — | (89,070) | 752,556 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (3,363) | (439) | — | 53 | (3,749) |
| Buildings, renovations, and furnishings | (213,698) | (13,264) | — | 25,966 | (200,996) |
| Fixed equipment | (130,212) | (1,563) | — | 19,582 | (112,193) |
| Movable equipment | (178,498) | (12,716) | — | 42,583 | (148,631) |
| Leasehold improvements | (5,284) | (633) | — | 367 | (5,550) |
| Total accumulated depreciation | (531,055) | (28,615) | — | 88,551 | (471,119) |
| Total capital assets, net | $ 290,177 | (8,221) | — | (519) | 281,437 |

(Dollar amounts in thousands)

| | Balance June 30, 2016 | Additions | Transfers | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 2,432 | — | — | — | 2,432 |
| Construction in process | 12,584 | 13,462 | (6,777) | — | 19,269 |
| Total capital assets, not being depreciated | 15,016 | 13,462 | (6,777) | — | 21,701 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 5,598 | — | 342 | (33) | 5,907 |
| Buildings, renovations, and furnishings | 419,700 | — | 4,202 | (2,034) | 421,868 |
| Fixed equipment | 143,813 | — | 71 | (3,339) | 140,545 |
| Movable equipment | 294,453 | 8,997 | 2,112 | (84,833) | 220,729 |
| Leasehold improvements | 10,500 | — | 50 | (68) | 10,482 |
| Total capital assets, being depreciated | 874,064 | 8,997 | 6,777 | (90,307) | 799,531 |
| Total capital assets at historical cost | 889,080 | 22,459 | — | (90,307) | 821,232 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (2,941) | (455) | — | 33 | (3,363) |
| Buildings, renovations, and furnishings | (201,977) | (13,755) | — | 2,034 | (213,698) |
| Fixed equipment | (129,462) | (4,086) | — | 3,336 | (130,212) |
| Movable equipment | (249,576) | (13,494) | — | 84,572 | (178,498) |
| Leasehold improvements | (4,760) | (592) | — | 68 | (5,284) |
| Total accumulated depreciation | (588,716) | (32,382) | — | 90,043 | (531,055) |
| Total capital assets, net | $ 300,364 | (9,923) | — | (264) | 290,177 |

(Dollar amounts in thousands)

## (6) Board Designated and Restricted Assets

### *(a) Assets Whose Use is Limited*

Assets whose use is limited consist of the following, as of June 30:

| | | 2018 | 2017 |
|---|---|---|---|
| Board designated assets: | | | |
| Pooled investments managed by King County | $ | 41,056 | 60,214 |
| Receivables and other | | 250 | 233 |
| Property held for future use | | 2,718 | 2,718 |
| Total board-designated assets | | 44,024 | 63,165 |
| Management designated assets | | 31,708 | 25,985 |
| Restricted cash and investments: | | | |
| Investments restricted for capital by King County | | — | 4,573 |
| Investments restricted by donor | | 8,806 | 8,395 |
| Total restricted assets | | 8,806 | 12,968 |
| Total assets whose use is limited | $ | 84,538 | 102,118 |

### *(b) Board Designated Assets*

Certain assets listed above have been designated by the Trustees for specific purposes. These assets comprise cash, cash equivalents, and other. The assets by designated purpose are as follows as of June 30:

| | | 2018 | 2017 |
|---|---|---|---|
| Commuter service fund | $ | 15,141 | 14,674 |
| Self-insurance fund | | 1,221 | 1,207 |
| Walter Scott Brown property | | 2,718 | 2,718 |
| Equipment fund | | 16,175 | 12,431 |
| Building repair and replacement fund | | 5,991 | 22,268 |
| Planned capital and program reserves | | 2,778 | 9,867 |
| Total | $ | 44,024 | 63,165 |

(Dollar amounts in thousands)

### *(c) Investments Restricted for Capital and by Donor*

Investments restricted for capital comprise investments held in the King County Investment Pool, managed for Harborview by King County, and are $0 and $4,573 for the years ended June 30, 2018 and 2017, respectively. These investments represent unspent project funds, required capital funding, and accumulated interest earnings. Use of these investments is restricted by King County for designated capital projects. In 2018, Harborview wrote off $4,559 of these investments following King County's exercise of control over the funds. The write-off is included in other expense in the statement of revenues, expenses, and changes in net position.

Investments restricted by donor represent assets whose use is restricted by grantors or contributors external to Harborview and are $8,806 and $8,395 as of June 30, 2018 and 2017, respectively.

## (7) Unearned Rent and Other

Changes in unearned rent and other during the fiscal years ended June 30, 2018 and 2017 are summarized below:

| | Beginning balance | Increases | Decreases | Ending balance | Due within one year |
|---|---|---|---|---|---|
| Fiscal year ended: | | | | | |
| June 30, 2018 | $ 12,673 | — | (856) | 11,817 | 686 |
| June 30, 2017 | 13,514 | — | (841) | 12,673 | 686 |

## (8) Risk Management

Harborview is exposed to risk of loss related to professional and general liability, property loss, and injuries to employees. Harborview participates in risk programs managed by the University to mitigate risk of loss related to these exposures. Harborview participates in the professional liability program managed by the University.

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components. Harborview's annual contribution to the professional liability program is determined by the University administration using information from an annual actuarial study. In addition to the University, the participants in the professional liability program include Harborview, UWP, CUMG, UWNC, School of Dentistry, the School, Airlift, Northwest Hospital, and UW Medical Center. In addition to the self-insurance fund contributions, the participants share in the expenses of the Health Science Risk Management Office.

Harborview's contribution to the professional liability program was $4,070 and $3,696 in 2018 and 2017, respectively, and is recorded in other expense on the statements of revenues, expenses, and changes in net position.

## (9) Benefit Costs

Harborview personnel are employees of the University. Benefit costs are pooled centrally for all University employees. Annually, the University reviews total employee benefit costs and prepares standard benefit load rates by employment classification. These benefit costs cover employee healthcare costs, workers' compensation, employment taxes, other postretirement benefit plans, and retirement plans. Departments, divisions, agencies, component units, and affiliated parties of the University that have University employees qualifying for employee benefit coverage are charged a cost allocation using the determined benefit load rate and budgeted salary dollars by employment classification. All funding of obligations are on a pay-as-you-go basis.

*Retirement and Other Postretirement Benefit Plans*

All employees of the University participate in the following State and University sponsored retirement and other postretirement benefit plans:

### *(a) Washington Public Employees Retirement System (PERS)*

PERS is a cost sharing, multiple-employer, defined-benefit pension plan administered by the State of Washington Department of Retirement Systems. There are three separate plans covered under PERS. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living allowance to eligible nonacademic plan members hired on or after October 1, 1977. In addition, PERS Plan 3 has a defined-contribution component, which is fully funded by employee contributions. The authority to establish and amend benefit provisions resides with the legislature. The Department of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for PERS. The report may be obtained by writing to the Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380, or visiting http://www.drs.wa.gov/administration/annual-report/.

The Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS. Funding obligations are measured at the University level and the University allocates expense to departments, divisions, agencies, and component units through the benefit load.

Based on the University's benefit load apportionment, Harborview incurred and paid $36,397 and $26,691 in fiscal years 2018 and 2017, respectively, related to annual PERS funding, which is recorded in employee benefits expense on the statements of revenues, expenses, and changes in net position. Harborview is not part of the University's financial reporting entity and Harborview does not directly fund the employer contribution to the Department of Retirement System; thus, Harborview does not record a PERS net pension liability on the statement of net position.

### *(b) University of Washington Retirement Plan (UWRP)*

UWRP is a defined-contribution plan administered by the University. All faculty and professional staff are eligible to participate in the plan. Contributions to UWRP are invested by participants in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Employees have at all times a 100% vested interest in their accumulations. Benefits from fund sponsors are available upon separation or retirement at the member's option. RCW 28B.10.400 et. Seq. assigns the authority to the University of Washington's Board of Regents to establish and amend benefit provisions.

Funding is determined by employee age and ranges from 5% to 10% of employee salary. Funding obligations are calculated at the University level and the University allocates expense to department, divisions, agencies, and component units through the benefit load.

Based on the University's benefit load apportionment, Harborview incurred and paid $4,849 and $4,706 in fiscal years 2018 and 2017, respectively, related to annual UWRP funding, which is recorded in employee benefits expense on the statements of revenues, expenses, and changes in net position.

### *(c) University of Washington Supplemental Retirement Plan (UWSRP)*

UWSRP is a 401(a) plan that provides for a supplemental payment component which guarantees a minimum retirement benefit based on a onetime calculation at each eligible participant's retirement date. The University makes direct payment to qualifying retirees when the retirement benefits provided by UWRP do not meet the benefit goals.

The University receives an independent actuarial valuation to determine funding needs for the supplemental payment component of UWRP. The funding obligation is determined at the University level and the University allocates expense to departments, divisions, agencies, and component units through the benefit load. This plan is closed to new participants effective March 1, 2011.

Based on the University's benefit load apportionment, Harborview incurred and paid $1,660 and $1,731 in fiscal years 2018 and 2017, respectively, related to annual UWSRP funding, which is recorded in employee benefits expense on the statements of revenues, expenses, and changes in net position. Harborview is not part of the University's financial reporting entity and Harborview has no legal responsibility for benefit payments of the plan directly to the employees; thus, Harborview does not record a UWSRP pension liability on the statement of net position.

### *(d) Other Postemployment Benefits (OPEB)*

OPEB are benefits provided to retired employees (and their dependents) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Retirees have access to all of these benefits, however, medical, prescription drug, and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB. The Office of the State Actuary determines total OPEB obligations at the state level using individual state employee data, including age, retirement eligibility, and length of service.

Based on the University's benefit load apportionment, Harborview incurred and paid $3,854 and $3,814 in fiscal years 2018 and 2017, respectively, related to annual OPEB funding, which is recorded in employee benefits expense on the statements of revenues, expenses, and changes in net position. Harborview is not part of the University's financial reporting entity and Harborview does not directly fund the employer contribution to HCA; thus, Harborview does not record an OPEB liability on the statement of net position.

## (10) Related Parties

Harborview has engaged in a number of transactions with related parties. When economic benefits are either provided or received by Harborview, these transactions are recorded as operating revenue or expenses, respectively, by Harborview. Harborview records cash transfers between Harborview and related parties that are nonexchange transactions as nonoperating expenses within the statements of revenues, expenses, and changes in net position.

### *(a) University of Washington*

University divisions provide various levels of support to Harborview. The following is a summary of services purchased.

*UW School of Medicine*

Harborview purchases a variety of clinical, administrative, and teaching services from the School, which includes laboratory services, residents programs, direct faculty salaries, and clinical department funding. The amounts for these services are shown below (see (d)).

*UW Medicine Central Costs*

UW Medicine provides services to Harborview, such as executive leadership oversight, advancement, compliance, telemedicine, community relations staffing, medical staff oversight, marketing, and other administrative services. The amounts for these services are shown below (see (d)).

*UW Neighborhood Clinics*

Under an annual agreement between the involved UW Medicine entities, Harborview provided strategic support of approximately 26.6% of the UWNC's annual operating loss for fiscal years 2018 and 2017 and 20.0% of capital funding needs. Funding for operations from Harborview to UWNC was $11,334 and $11,522 for fiscal years 2018 and 2017, respectively, and is recorded as purchased services expense in the statements of revenues, expenses, and changes in net position and shown below (see (d)). Capital funding from Harborview to UWNC was $105 and $255 for fiscal years 2018 and 2017, respectively, and is recorded as funding to affiliates in the statements of revenues, expenses and changes in net position.

*UW Medicine Shared Services*

UW Medicine Shared Services comprises a number of functions within the University, established for the purpose of providing scalable administrative and IT support services for UW Medicine. These functions include UW Medicine ITS, Revenue Cycle, UW Medicine Finance and Accounting, UW Medicine Supply Chain, UW Medicine Contracting, and UW Consolidated Laundry, as well as a number of other functions. The amounts for these shared services transactions are shown below (see (d)).

*Other Divisions of the University*

In addition to the divisions and transactions identified above, Harborview purchases IT services, general and professional liability insurance, printing, accounting, temporary staffing, and other administrative and operational services from other divisions of the University. The amounts for these transactions are shown below (see (d)).

### *(b) Northwest Hospital*

Harborview provides strategic support to Northwest Hospital for operating purposes. Funding from Harborview to Northwest Hospital was $1,668 for the years ended June 30, 2018 and 2017, respectively, and is recorded as funding to affiliates in the statements of revenues, expenses, and changes in net position.

### *(c) King County*

King County holds all investment funds on behalf of Harborview. King County also processes all payments to vendors outside of the University divisions. Harborview has agreed to provide space and services on behalf of King County for certain grants and contracts, for which Harborview receives rental income and grant revenue from the County. The amounts for these transactions are shown below (see (d)). Additional detail describing Harborview's position within King County is provided in note 1. See further discussion about building rentals with the County in note 11 (f) and (g).

(Dollar amounts in thousands)

Under the Hospital Services Agreement, the Harborview board designates $5,000 annually from Harborview's revenues and reserves for the support of King County programs. The annual allocation may be reduced through joint efforts by UW Medicine and King County to obtain permanent reductions in cost or new sources of revenues to King County. For the years ended June 30, 2018 and 2017, Harborview recorded nonoperating expense of $5,000 related to King County mission support on the statements of revenues, expenses, and changes in net position and a payable to King County, which is recorded in due to related parties in the statements of net position. As of June 30, 2018, Harborview has paid $10,000 to King County.

### *(d) Summary of Related Party Transactions*

Harborview's related party revenue and expense amounts are included in net patient service revenue, salaries and wages expense, employee benefits expense, purchased services expense, and other expense in the accompanying statements of revenues, expenses, and changes in net position. The following table summarizes the related party revenue and expense transactions for the years ended June 30, 2018 and 2017:

| Revenue (expense) transactions | | 2018 | 2017 |
|---|---|---|---|
| Services and supplies purchased from the University and its departments and affiliates: | | | |
| UW Medicine Shared Services | $ | (100,641) | (102,019) |
| The School | | (105,850) | (90,396) |
| Central Costs | | (12,062) | (12,583) |
| UW Neighborhood Clinics | | (11,334) | (11,522) |
| UW Medical Center | | (2,357) | (1,783) |
| UWP | | (1,611) | (1,723) |
| Other University divisions and departments | | (15,474) | (14,647) |
| Services provided to the University and its departments and affiliates: | | | |
| The School | | 11,331 | 10,569 |
| UW Medicine Shared Services | | 2,377 | 2,350 |
| UW Medical Center | | 3,223 | 2,577 |
| UW Neighborhood Clinics | | 1,534 | 1,207 |
| Services provided to King County | | 8,565 | 2,520 |

(Dollar amounts in thousands)

Harborview had net amounts due from (due to) related parties for various transactions, which are included in the due from related parties, other receivables, and due to related parties in the accompanying statements of net position. The net amounts due from (due to) related parties as of June 30, 2018 and 2017 are as follows:

| Net receivable (payable) | 2018 | 2017 |
|---|---|---|
| The University and its departments and affiliates: | | |
| The School | $ 4,823 | 2,147 |
| UW Medicine Shared Services | (8,955) | (9,479) |
| UWP | 1,588 | 1,594 |
| UW Medical Center | 1,155 | 843 |
| Airlift | 3,476 | 3,122 |
| UW Medicine Central Costs | (291) | — |
| Other University divisions and departments | (32,066) | (27,699) |
| UW Neighborhood Clinics | 777 | (404) |
| King County | (2,684) | (3,039) |
| Northwest Hospital | 200 | (2) |

## (11) Commitments and Contingencies

### *(a) Operating Leases*

Harborview leases certain medical office space and equipment under operating lease arrangements. Total rental expense for the years ended June 30, 2018 and 2017 for all operating leases was $15,383 and $14,609, respectively, which is recorded in other expense in the statements of revenues, expenses, and changes in net position.

The following schedule shows future minimum lease payments by fiscal year as of June 30, 2018:

| | | |
|---|---|---|
| 2019 | $ | 15,080 |
| 2020 | | 1,068 |
| 2021 | | 1,063 |
| 2022 | | 1,068 |
| 2023 | | 175 |
| Thereafter | | 76 |
| | $ | 18,530 |

### *(b) Purchase Commitments*

Harborview has current commitments at June 30, 2018 of $38,358 related to various construction projects and equipment purchases. Harborview intends to use its unrestricted funds for these commitments.

### *(c) Regulatory Environment*

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations 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. Through its compliance program, Harborview maintains an effective and safe program for reporting and addressing potential regulatory concerns. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

### *(d) Litigation*

Harborview is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to Harborview's future financial position or results of operations.

### *(e) Collective Bargaining Agreements*

Approximately 79.6% and 78.2% are covered by collective bargaining agreements as of June 30, 2018 and 2017, respectively. Nurses are represented by the Service Employees International Union (SEIU), and other healthcare and support workers are represented by the SEIU and Washington Federation of State Employees. All collective bargaining agreements expire on June 30, 2019.

### *(f) Patricia Bracelin Steel Building*

In December 2012, King County exercised its option to purchase the Patricia Bracelin Steel building (PSB), which is located on Harborview's campus. To fund the purchase of the building, King County issued Limited Tax General Obligation (LTGO) debt. The Agreement requires the Trustees to budget funds annually to cover the monthly rent and outstanding debt associated with PSB. As the financial obligations of the LTGO debt remain the responsibility of King County, Harborview accounts for these rental payments to King County for PSB as rental expense. Rental expense was approximately $2,847 for the years ended June 30, 2018 and 2017. If Harborview continues to occupy this space, annual lease expense will not differ significantly from the amount recognized in 2018.

### *(g) Ninth and Jefferson Building*

In 2006, the Trustees passed a resolution in support of the Ninth & Jefferson Building (NJB) under the 63-20 financing model. The building owner and lessor is Ninth & Jefferson Building Properties; however, the land upon which the building is constructed is owned by King County and leased to Ninth & Jefferson Building Properties under a ground lease. King County has entered into a lease with Ninth & Jefferson Building Properties for the building with a 30-year term. The lease qualifies for capital lease treatment, and as such, the building asset and related lease obligation are recorded by King County based on the terms of the agreement.

The Agreement requires the Trustees to budget funds annually to cover the monthly rent and outstanding debt associated with NJB. As the financial obligations of the lease and outstanding debt remain the responsibility of King County, Harborview accounts for these rental payments to King County for NJB as rental expense. Rental expense was approximately $11,122 and $11,123 for the years ended June 30, 2018 and 2017, respectively. If Harborview continues to occupy this space, annual lease expense will not differ significantly from the amount recognized in 2018.

**HARBORVIEW MEDICAL CENTER**
**SCHEDULE OF EXPENIDTURES OF FEDERAL AWARDS**
**For the Fiscal Year Ended June 30, 2018**

| Federal CFDA No. | Federal CFDA Title | Pass-Through Grantor | Contract ID | Contract Period | HMC ID | Program Description | Cost Center | Federal Expenditures - Direct Awards | Federal Expenditures - Pass Through Awards | Expenditures to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **MEDICAID CLUSTER** | | | | | | | | | | | |
| Department of Health & Human Services | | | | | | | | | | | |
| 93.778 | Medical Assistance Program | Seattle Human Services Department | DA17-1329 | 1/1/17 - 12/31/17 | 15450 | ADS Gero-Psych Consultations | 7226 | | 747 | | |
| | | | DA17-1329 | 1/1/17 - 12/31/18 | | | | | 747 | | |
| | | | | | | **CFDA 93.778 Total** | | | 1,494 | | |
| | | | | | | **MEDICAID CLUSTER TOTAL** | | | **1,494** | | |
| **Department of Housing and Urban Development** | | | | | | | | | | | |
| 14.241 | Housing Opportunities for Persons with AIDS | Seattle Human Services Department | DA17-1142 | 3/1/17 - 2/28/18 | 18235 | HOPWA Navigator Project | 7883 | | 15,774 | | |
| | | | | | | | | | - | | |
| | | | | | | **CFDA 14.241 Total** | | | **15,774** | | |
| 14.267 | Continuum of Care Program | King County Dept. of Community and Human Services | 5851627 | 6/1/17 - 5/31/18 | 15265 | Scattered Sites Supportive Housing | 7242 | | 90,428 | | |
| | | | | 6/1/18 - 5/31/19 | | | | | 8,244 | | |
| | | | | | | **CFDA 14.267 Total** | | | **98,671** | | |
| | | | | | | **Department of Housing and Urban Development Total** | | | **114,445** | | |
| **Department of Justice** | | | | | | | | | | | |
| 16.575 | Crime Victim Assistance | Washington State Dept. of Commerce | 18-31310-130 | 7/1/17 - 6/30/18 | 18700 | OCVA Crime Victim Serv. Proj. | 7812 | | 239,939 | | |
| | | | S18-31119-020 | 7/1/17 - 6/30/18 | 18705 | OCVA - Crime Victim Services Proj. | 7828 | | 48,459 | | |
| | | | F17-31219-542 | 1/1/18 - 6/30/19 | 18706 | OCVA - Sexual Assault Medical Forensic Examination | 7512 | | 52,500 | | |
| | | | F17-31219-512 | 11/1/17 - 6/30/19 | 18704 | Unmet Srvs - OCVA | 7806 | | 57,889 | | |
| | | | | | | **CFDA 16.575 Total** | | | **398,787** | | |
| 16.582 | Crime Victim Assistance/Discretionary Grants | Washington State Dept. of Commerce | 18-31310-030 | 7/1/17 - 6/30/18 | 18717A | OCVA Sexual Assault Nurse Examiner (SANE) Training Program | 7816 | | 180,731 | | |
| | | | | | | **CFDA 16.582 Total** | | | **180,731** | | |
| | | | | | | **Department of Justice Total** | | | **579,518** | | |
| **Department of Health & Human Services** | | | | | | | | | | | |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | Washington State Dept. of Commerce | F16-31310-609 | 2/1/17 - 1/31/18 | 18701 | OCVA Rape Prevention and Education | 7816 | | 47,855 | | |
| | | | F18-31310-609 | 2/1/18 - 1/31/19 | | | | | 31,993 | | |
| | | | | | | **CFDA 93.136 Total** | | | **79,848** | | |
| 93.153 | Coordinated Services and Access to Research for Women, Infants, Children, and Youth | Direct Award - HRSA | H12HA28849-02-03 | 08/01/16 - 07/31/17 | 18215 | Ryan White Part D - Madison | 7621 | 70,741 | | 5,565 | 3 |
| | | | | | | Ryan White Part D - Social Work | 7886 | 26,373 | | | |
| | | | H12HA28849-03-00 | 08/01/17 - 07/31/18 | 18215 | Ryan White Part D - Madison | 7621 | 800,673 | | 60,585 | 3 |
| | | | | | | Ryan White Part D - Social Work | 7886 | 194,652 | | | |
| | | | | | | **CFDA 93.153 Total** | | **1,092,438** | | **66,150** | |
| 93.243 | Substance Abuse and Mental Health Services_ Projects of Regional and National Significance | Washington State Department of Social and Health Services | 1512-47681 | 8/1/16 - 7/31/17 | 18376 | SAMHSA Medication Assisted Treatment | 7804 | | 41,638 | | 3 |
| | | | | 8/1/17-7/31/18 | | | | | 337,865 | | 3 |
| | | Washington State Health Care Authority | | 7/1/18 - 7/31/18 | | | | | 77,026 | | 5 |
| | | | | | | **CFDA 93.243 Total** | | | **456,529** | | |
| 93.270 | Viral Hepatitis Prevention and Control | King County Department of Public Health | 2045 PREV | 7/1/17 - 12/31/17 | 18230A | Federal HCV TAC | 7846 | | 19,847 | | |
| | | | | | | **CFDA 93.270 Total** | | | **19,847** | | |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | King County Department of Public Health | 2045 PREV | 7/1/17 - 12/31/17 | 18230 | Federal Gonorrhea ELC 7 | 7800 | | 43,808 | | |
| | | | | | 18230A | Federal Gonorrhea ELC 8 | | | 123,161 | | |
| | | | | | | **CFDA 93.323 Total** | | | **166,969** | | |
| 93.610 | Health Care Innovation Awards (HCIA) | National Health Care for the Homeless Council | 1C1CM331336-01-00 Year 3 | 9/1/16 - 8/31/17 | 18501 | Pioneer Square - Respite Program | 7862 | | 21,241 | | |
| | | | | | | **CFDA 93.610 Total** | | | **21,241** | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 93.788 | Opioid STR | Washington State Department of Social and Health Services | 1765-98326 | 7/21/17 - 4/30/18 | 15500 | HUB Mat Services State Targeted Response to the Opioid Crisis | 7452 | | 826,462 | | |
| | | | 1765-98326 | 5/1/18 - 4/30/19 | | | 7452 | | - | | |
| | | Washington State Health Care Authority | | | | | 7452 | | 143,735 | | 5 |
| | | | | | | **CFDA 93.788 Total** | | | **970,197** | | |
| 93.817 | Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | Washington State Department of Social and Health Services | N21822 | 05/18/15 - 05/17/20 | 18403 | Ebola Response | 8712 | | 19,351 | | |
| | | | | | | **CFDA 93.817 Total** | | | **19,351** | | |
| 93.914 | HIV Emergency Relief Project Grants | King County Department of Public Health | 1878 PREV | 3/1/17 - 2/28/18 | 18235A | Ryan White Part A | 7620 | | 15,774 | | |
| | | | | | | **CFDA 93.914 Total** | | | **15,774** | | |
| 93.917 | HIV Care Formula Grants | Wahington State Department of Health | HED21329 | 4-1-18 - 6-30-19 | 18225 | Satellite Clinics | 7537 | | 68,733 | | |
| | | | | | | **CFDA 93.917 Total** | | | **68,733** | | |
| 93.918 | Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | Direct Award - HRSA | H76HA00198-25-01 | 01/01/17 - 12/31/17 | 18210 | Ryan White Part C | 7619 | 750,357 | | | 3 |
| | | | H76HA00198-26-01 | 01/01/18 - 12/31/18 | | | | 806,092 | | | 3 |
| | | | | | | **CFDA 93.918 Total** | | **1,556,449** | | | |
| 93.940 | HIV Prevention Activities Health Department Based | King County Department of Public Health | 2045 PREV | 7/1/17 - 12/31/17 | 18230 | STD Clinic | 7529 | | 276,883 | | |
| | | | | | 18230E | Federal HIV Prevention Category A | | | 35,716 | | |
| | | | | | | **CFDA 93.940 Total** | | | **312,598** | | |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | King County Department of Public Health | 2045 PREV | 7/1/17 - 12/31/17 | 18230 | Federal National HIV Behavioral Surveillance System | 7846 | | 26,666 | | |
| | | | | | | | | | - | | |
| | | | | | | **CFDA 93.944 Total** | | | **26,666** | | |
| 93.958 | Block Grants for Community Mental Health Services | Washington State Dept. of Social & Health Services | 1565-48149 | 10/1/16 - 9/30/17 | 18765 | Trauma-Focused Behavioral Therapy | 7816 | | 73,364 | | |
| | | | | 10/1/17 - 9/30/18 | | | | | 189,091 | | |
| | | King County Department of Community and Human Services | 5918588 | 1/1/17 - 12/31/18 | 15290 | Exhibit x Housing and Recovery Through Peer Services | 7227 | | 190,760 | | |
| | | | | | | **CFDA 93.958 Total** | | | **453,215** | | |
| 93.977 | Preventive Health Services_Sexually Transmitted Diseases (STD) Prevention and Control Grants | King County Department of Public Health | 2045 PREV | 7/1/17 - 12/31/17 | 18230D | SSuN Part A | 7529 | | 3,321 | | |
| | | | | | 18230 | STD Prevention AAPPS | 7801 | | 81,853 | | |
| | | | | | 18230A | STD Prevention AAPPS - Part B | 7801 | | 3,260 | | |
| | | | | | 18230 | STD Prevention Supplemental | 7838 | | 105,496 | | |
| | | | | | 18230A | STD Prev Evaluation Deploying DIS | 7838 | | 38,805 | | |
| | | | | | | **CFDA 93.977 Total** | | | **232,736** | | |
| | | | | | | **Department of Health & Human Services Total** | | **2,648,888** | **2,843,703** | **66,150** | |
| | | | | | | **FEDERAL EXPENDITURES TOTALS BY AWARD TYPE** | | **2,648,888** | **3,539,160** | **66,150** | |
| | | | | | | | | **FEDERAL EXPENDITURES GRAND TOTAL** | | **6,254,198** | |

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as Harborview Medical Center's financial statements. Harborview Medical Center uses the accrual method of accounting.

Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Harborview Medical Center portion, are greater than the amounts shown. Such expenditures as recognized are in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Program Income

The noted programs generate income to cover a portion of program expenses. Expenses covered by program income are included in the reported expenses according to the additive method.

Note 4 - Indirect Cost Rate

Harborview Medical Center has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - Name change of funder

Washington State changed the funding from DSHS (Department of Social and Health Services) to HCA (Health Care Authority)

UW Medicine
HARBORVIEW MEDICAL CENTER

# CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

## Harborview Medical Center
## July 1, 2017 through June 30, 2018

This schedule presents the corrective action planned by the Medical Center for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

| **Finding ref number:** 2018-001 | **Finding caption:** The Medical Center did not have adequate internal controls to ensure compliance with requirements for time and effort |
|---|---|
| **Name, address, and telephone of Medical Center contact person:**<br>Lillen Namba<br>325 Ninth Avenue<br>Seattle, WA 98104<br>(206) 744-9704 | |
| **Corrective action the auditee plans to take in response to the finding:**<br>*As mentioned in the auditor's finding, the prior year Ryan White Parts C and D conditions were reported in March 2018, and the Medical Center had limited time to implement recommendations and improve timeliness of supervisory review and approval.*<br><br>*In addition, there was a business process change as a result of our new HR Payroll System (Workday) implementation in June 2017, which required the Medical Center to create a new report design for effort certifications. This process spanned several months, and required the collaboration between a number of departments to determine where data fields for effort certifications (which includes both UW and Medical Center information) reside post implementation. During this period, there were many revisions made to accurately reflect effort on the grants, resulting in signatures on the certifications being delayed.*<br><br>*In order to ensure compliance with completing time-and-effort certification reports timely and with sufficient detail, the Medical Center has revised our policy to state "Complete within 30 days after release date," and specified that both dates and signatures are required. In addition, the Medical Center reiterated to program staff the importance of completing effort certifications in a timely manner and retrained program management to ensure effort certifications were approved prior to seeking reimbursement.* | |
| **Anticipated date to complete the corrective action:** April 30, 2019 | |

# ABOUT THE STATE AUDITOR'S OFFICE

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| Contact information for the State Auditor's Office | |
|---|---|
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