



TAHOE FOREST HOSPITAL DISTRICT

2016-10-24 - Board Finance Committee

10/24/2016, 1:00pm

Eskridge Conference Room

Meeting Book - 2016-10-24 - Board Finance Committee

Finance Committee

AGENDA

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5. APPROVAL OF MINUTES

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6. ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION

6.1 Financial Reports

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6.1.2 Quarterly Review Financial Status of Separate Entities.pdf Page 39

6.1.3 Quarterly Review of Revenue Payor Mix.pdf Page 51

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6.2 FY2016 Audited Financial Statement Report - DRAFT

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7. REVIEW FOLLOW UP ITEMS / BOARD MEETING RECOMMENDATIONS

No related materials.

8. AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING / 9. NEXT MEETING DATE

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10. ADJOURN



TAHOE
FOREST
HEALTH
SYSTEM

FINANCE COMMITTEE AGENDA

Monday, October 24, 2016 at 1:00 p.m.
Eskridge Conference Room, Tahoe Forest Hospital
10121 Pine Avenue, Truckee, CA

1. **CALL TO ORDER**
2. **ROLL CALL**
Dale Chamblin, Chair; John Mohun, Board Member
3. **CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA**
4. **INPUT – AUDIENCE**
This is an opportunity for members of the public to address the Committee on items which are not on the agenda. Please state your name for the record. Comments are limited to three minutes. Written comments should be submitted to the Board Clerk 24 hours prior to the meeting to allow for distribution. Under Government Code Section 54954.2 – Brown Act, the Committee cannot take action on any item not on the agenda. The Committee may choose to acknowledge the comment or, where appropriate, briefly answer a question, refer the matter to staff, or set the item for discussion at a future meeting.
5. **APPROVAL OF MINUTES OF: 08/24/2016** ATTACHMENT
6. **ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION**
 - 6.1. Financial Reports
 - 6.1.1. Financial Report – September 2016 Quarterly Packet ATTACHMENT
 - 6.1.2. Quarterly Review Financial Status of Separate Entities ATTACHMENT
 - 6.1.3. Quarterly Review of Revenue Payor Mix ATTACHMENT
 - 6.1.4. TIRHR Expenditure Report ATTACHMENT
 - 6.2. FY2016 Audited Financial Statement Report - DRAFT ATTACHMENT*
 - 6.3. Board Education and Updates
 - 6.3.1. Discussion of Audit Firm RFP process
7. **REVIEW FOLLOW UP ITEMS / BOARD MEETING RECOMMENDATIONS**
8. **AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING**..... ATTACHMENT
9. **NEXT MEETING DATE** ATTACHMENT
10. **ADJOURN**

*Denotes material (or a portion thereof) may be distributed later.

Note: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions.

Equal Opportunity Employer. The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District’s public meetings. If particular accommodations for the disabled are needed (i.e., disability-related aids or other services), please contact the Executive Assistant at 582-3481 at least 24 hours in advance of the meeting.



FINANCE COMMITTEE

DRAFT MINUTES

Wednesday, August 24, 2016 at 1:00 p.m.
Foundation Conference Room, Tahoe Forest Hospital Foundation Offices
10976 Donner Pass Road, Truckee, CA

1. CALL TO ORDER

Meeting was called to order at 12:58 p.m.

2. ROLL CALL

Board: Dale Chamblin, Chair; John Mohun, Board Member

Staff: Harry Weis, Chief Executive Officer; Crystal Betts, Chief Financial Officer; Jaye Chasseur, Controller; Gayle McAmis, MSC; Martina Rochefort, Clerk of the Board

3. CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA

No changes were made to the agenda.

4. INPUT – AUDIENCE

No public comment was received.

5. APPROVAL OF MINUTES OF: 07/26/2016

Director Chamblin moved approval of the July 26, 2016 Finance Committee minutes.

6. ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION

6.1. Financial Reports

6.1.1. FYE 2016 Review of Multi-Specialty Clinics

Gayle McAmis reviewed the fourth quarter and Fiscal Year End 2016 report for the Multi-Specialty Clinics.

Volumes within the Multi-Specialty Clinics were level.

The increase in revenue was tied to vaccines, particularly the pneumococcal vaccine.

The increase in overall net loss was tied back to bringing urology on board and more consulting was engaged than normal for the onboarding of North Tahoe Orthopedics.

Dr. Bretan, the District's new Urologist, is ramping up and seeing approximately six new patients every day.

Director Mohun asked if WRVUs in the Professional Service Agreement is being tracked against what they are generating.

CFO stated the contracts based on production have a quarterly reconciliation.

Director Mohun would like to see a comparison to the national target.

Ms. McAmis reviewed actual numbers and prior year actual numbers on the Relative Value Unit (RVU) Summary. The target is set based on what is listed in the contract. Director Mohun would like to see how we trend against the national average.

Discussion was held regarding Dr. Conyers' departure and possible transition of a locums into a full time General Surgeon as well as Dr. Kitts coming back to expand services.

Director Mohun inquired if Administration has reached out to the other General Surgeons regarding coverage of their call schedule after Dr. Conyers' departure.

Ms. McAmis indicated the Board will see some call coverage contracts come to next month's meeting.

Gayle McAmis departed the meeting at 1:15 p.m.

6.1.2. Financial Report – Pre-audit June 2016

There are about 15 open items remaining since the committee last met.

A number of items have been accrued and Accounts Payable is solid.

DeeDee Holmes and the Human Resources team are working to true up the deferred compensation figures.

CFO received more information from Keenan regarding the IBNR increase of \$700,000 for Workers Compensation. There was an error in previous year calculations and the increase is correct.

Accounting still needs to do the journal entry on the GO bond refunding.

Under settlements, we still have to get paid claims report. These are necessary to adjust the cost report.

All of the Intergovernmental Transfer (IGT) calculations were made. The District will receive additional income of \$2,400,000. This was the largest increase to the District's income statement.

The other large adjustment made was \$1,200,000 from the Skilled Nursing Facility (SNF) clawback that was reversed.

Numbers for North Tahoe Orthopedics have been trued up.

There are only a handful of things left to do.
Property tax revenue still needs to be trued up.

6.1.3. Updated Pre-Audit Separate Entities

There was very minor variation from last month's report on the Separate Business Enterprises.

Figures for the Center of Health and Sports Performance changed by \$100,000.
There were small adjustments in benefits.

Discussion was held on thrift store income.

Incentive compensation numbers are excluded from the budget.

6.1.4. Financial Report – Preliminary July 2016

CFO reviewed the balance sheet.

Director Zipkin emailed the CFO about the decline in cash. The decline in cash was anticipated.

There will be a delay in claims going out because they are being reviewed prior so they go out clean. Did anticipate a delays due to the implementation of Efficiency program

CFO reviewed the Statement of Cash Flows. Cash flows do not yet reflect purchase of real properties. The District will transfer the money when the properties close.

Bad debt shows on the Statement of Revenues, Expenses, and Changes in Net Position as a negative number. The pickup in bad debt has a lot has to do with the system conversion and lag time in CPSI.

Accounting is looking at the processes that self payors are using. They are trying to vet these statements before sending to collections.

There was a decrease in payor mix for Medi-Cal and a small increase in commercial payors.

Budgets for salaries and wages were assuming the Employee Association contracts would be in place by now. Accrual was made to estimate increases that will be retroactive to July when paid

CEO stated the Chief Human Resources Officer will review the Employee Association contracts in closed session with the Board. The CEO may come back next month with a recommendation for a small budget variance of approximately \$180,000.

The contract for Dr. Mancuso will go to the board next month.

Director Mohun departed at 1:42pm

IVCH had a strong month.

Director Mohun returned at 1:43pm.

IVCH had few more inpatients than they typically have.

CFO reviewed the Statement of Cash Flows.

Discussion was held on remaining Measure C Scope modifications. CFO will need to work with Chief Facilities Officer to see what Measure C is paying for and what District is paying for.

Days Cash on Hand was at 183 days against a target of 173 days.

6.2. Board Education and Updates

6.2.1. Audit Update

Auditors will be here next week and the week after auditing the district and both foundations. They have a whole new team except for partner, Bill Peterson.

The audit presentation to board will occur in October.

Mr. Peterson will want to meet with top administrative members and a few board members.

CFO is not anticipating any significant changes.

The District has historically run a tight ship and prides itself on clean audits.

6.2.2. RFP for Audit Firm

CFO reviewed the Request for Proposals for Professional Auditing Services.

The District is requesting a 3 year agreement for audit services.

CFO planned to issue the RFP on August 29, 2016 and give 6 weeks for firms to respond. There will be a one week vetting period. Onsite interviews will be conducted October 17-28, 2016. The chosen firm will be notified by November 4, 2016 and the contract would begin on November 17, 2016. Audit work may commence around January 1, 2017.

Discussion was held on audit firms' process throughout the year leading up to the audit itself.

Director Chamblin asked Director Mohun whether the entire Board of Directors should be involved in selecting firm. Director Mohun suggested asking the Board at tomorrow's meeting.

CFO asked if timeframe looked good. Yes

Director Chamblin indicated he would be traveling from November 1-17, 2016.

The Board could opt out of a RFP and remain with Kcoe & Isom with an option to switch partners.

Discussion was held about WIPFLI, a firm the CFO has previously had experience with. They have merged with HFS Consultants and have an Oakland office now.

Director Mohun would like to add Ernst & Young to the list of firms that will receive the RFP.

The committee reviewed the scoring for the RFP. A maximum of 40 points each can be scored for Technical Qualification and Audit Approach and 20 points maximum can be scored for Dollar Cost Bid.

Both Directors Mohun and Chamblin agreed with the scoring.

7. REVIEW FOLLOW UP ITEMS / BOARD MEETING RECOMMENDATIONS

Discuss Board of Directors involvement in the audit firm selection.

8. AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING

- Financial Report – Pre-Audit June 2016
- Audit Update
- Financial Report – Preliminary August 2016
- Audit Committee Member Selection

9. NEXT MEETING DATE

The next Finance Committee meeting is scheduled for September 21, 2016. Director Mohun will need a replacement for the next meeting.

10. ADJOURN

Meeting adjourned at 2:15 p.m.

**TAHOE FOREST HOSPITAL DISTRICT
SEPTEMBER 2016 FINANCIAL REPORT
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16 - 30	TFH AND IVCH VOLUMES INCLUDING GRAPHS

SEPTEMBER 2016 FINANCIAL NARRATIVE

The following is the financial narrative analyzing financial and statistical trends for the three months ended September 30, 2016.

Activity Statistics

- ❑ TFH acute patient days were 392 for the current month compared to budget of 346. This equates to an average daily census of 13.07 compared to budget of 11.53.
- ❑ TFH Outpatient volumes were above budget in the following departments by at least 5%: Emergency Department visits, Home Health visits, Endoscopy procedures, Laboratory tests, Mammography, Radiation Oncology procedures, MRI exams, Ultrasounds, Cat Scans, PET CT, Pharmacy units, Oncology drugs, Physical Therapy, Speech Therapy, and Occupational Therapy.
- ❑ TFH Outpatient volumes were below budget in the following departments by at least 5%: Oncology Lab, and Nuclear Medicine exams.

Financial Indicators

- ❑ Net Patient Revenue as a percentage of Gross Patient Revenue was 51.8% in the current month compared to budget of 54.0% and to last month's 50.3%. Current year's Net Patient Revenue as a percentage of Gross Patient Revenue is 53.7%, compared to budget of 54.1% and prior year's 57.3%.
- ❑ EBIDA was \$1,004,263 (4.8%) for the current month compared to budget of \$565,361 (3.0%), or \$438,902 (1.8%) above budget.
- ❑ Cash Collections for the current month were \$10,478,661 which is 88% of targeted Net Patient Revenue.
- ❑ Gross Days in Accounts Receivable were 54.5, compared to the prior month of 56.7. Gross Accounts Receivables are \$34,400,802 compared to the prior month of \$35,432,293. The percent of Gross Accounts Receivable over 120 days old is 20.89%, compared to the prior month of 20.38%.

Balance Sheet

- ❑ Working Capital Days Cash on Hand is 27.1 days. S&P Days Cash on Hand is 185.8. Working Capital cash decreased \$1,675,000. Cash collections fell short of target by 12%. Accounts Payable decreased \$1,829,000 and Accrued Payroll & Related Liabilities increased \$508,000.
- ❑ Net Patients Accounts Receivable decreased approximately \$95,000. Cash collections were at 88% of target and days in accounts receivable were 54.5 days, a 2.20 days decrease.
- ❑ To comply with GASB No. 63, the District booked an adjustment to the asset and offsetting liability to reflect the fair value of the Piper Jaffray swap transaction at the close of September.
- ❑ Accounts Payable decreased \$1,829,000 due to the timing of the final check run in September.
- ❑ Accrued Payroll & Related Costs increased \$508,000 in September. The increase is related to 13 days of accrual at the end of September.

September 2016 Financial Narrative

Operating Revenue

- ❑ Current month's Total Gross Revenue was \$20,992,591, compared to budget of \$18,970,106 or \$2,022,486 above budget.
- ❑ Current month's Gross Inpatient Revenue was \$5,512,469, compared to budget of \$5,392,258 or \$120,211 above budget.
- ❑ Current month's Gross Outpatient Revenue was \$15,480,123 compared to budget of \$13,577,848 or \$1,902,275 above budget. Volumes were up in some departments and down in others. See TFH Outpatient Activity Statistics above.
- ❑ Current month's Gross Revenue Mix was 36.4% Medicare, 19.4% Medi-Cal, .0% County, 2.9% Other, and 41.3% Insurance compared to budget of 34.2% Medicare, 17.8% Medi-Cal, .0% County, 3.6% Other, and 44.4% Insurance. Last month's mix was 37.6% Medicare, 18.5% Medi-Cal, .0% County, 2.8% Other, and 41.1% Insurance.
- ❑ Current month's Deductions from Revenue were \$10,113,200 compared to budget of \$8,725,793 or \$1,387,407 above budget. Variance is attributed to the following reasons: 1) Payor mix varied from budget with a 2.22% increase in Medicare, a 1.63% increase to Medi-Cal, a .0% decrease in County, a .80% decrease in Other, and Commercial was under budget 3.05%, and 2) Revenues exceeded budget by 10.7%.

Operating Expenses

DESCRIPTION	September 2016 Actual	September 2016 Budget	Variance	BRIEF COMMENTS
Salaries & Wages	3,708,343	3,712,290	3,947	Salaries & Wages includes an accrual for the estimated increases that would be retroactive to 7/1/16 related to the bargaining unit agreements.
Employee Benefits	1,219,744	1,158,312	(61,433)	Negative variance related to a higher utilization of PL/SL this month, which helped create a positive variance in Salaries & Wages
Benefits – Workers Compensation	43,264	57,011	13,748	
Benefits – Medical Insurance	567,528	694,217	126,689	
Professional Fees	1,912,186	1,785,292	(126,894)	Services provided to the Medi-Cal PRIME project, insurance contract support, Anesthesia Income Guarantee, Interim Director of Physician Services, Hospitalists coverage, Medicare Bad Debt recovery services, and Outpatient Therapy fees arising from increased volumes created a negative variance in Professional Fees.
Supplies	1,649,162	1,656,031	6,869	Drugs Sold to Patients and Oncology Drugs Sold to Patients revenues exceeded budget by 17.79%, creating a negative variance in Pharmacy Supplies. This negative variance was offset by a positive variance in Patient & Other Medical Supplies as revenues fell short of budget by 9.51% in the Surgical Services and Medical Supplies Sold to Patients departments.
Purchased Services	972,097	840,425	(131,672)	Services provided to the Wellness Neighborhood, Community Health, Laundry and Linen charges and restocking fees, Plant Maintenance, and 340B oversight for the Retail Pharmacy created a negative variance in Purchased Services.
Other Expenses	651,779	592,668	(59,111)	Negative variance related to leadership training, tuition reimbursement, conference travel, and recruitment fees for placement of the District's Executive Director of Physician Services.
Total Expenses	10,724,103	10,496,246	(227,856)	

TAHOE FOREST HOSPITAL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 2016

	PRE-AUDIT Sep-16	PRE-AUDIT Aug-16	Sep-15	
ASSETS				
CURRENT ASSETS				
* CASH	\$ 9,552,871	\$ 11,227,731	\$ 10,716,693	1
PATIENT ACCOUNTS RECEIVABLE - NET	18,227,528	18,322,441	14,332,302	2
OTHER RECEIVABLES	5,317,925	4,933,470	4,784,162	
GO BOND RECEIVABLES	393,297	1,031	793,786	
ASSETS LIMITED OR RESTRICTED	6,133,867	6,286,244	5,192,823	
INVENTORIES	2,694,363	2,685,837	2,306,103	
PREPAID EXPENSES & DEPOSITS	1,653,119	1,662,606	1,646,846	
ESTIMATED SETTLEMENTS, M-CAL & M-CARE	3,508,426	3,343,891	4,136,918	
TOTAL CURRENT ASSETS	47,481,396	48,463,252	43,909,633	
NON CURRENT ASSETS				
ASSETS LIMITED OR RESTRICTED:				
* CASH RESERVE FUND	55,958,822	55,958,822	45,759,110	1
BANC OF AMERICA MUNICIPAL LEASE	981,619	981,619	978,207	
TOTAL BOND TRUSTEE 2002	3	3	2	
TOTAL BOND TRUSTEE 2015	486,433	350,701	524,614	
GO BOND PROJECT FUND	232,444	232,576	9,616,061	
GO BOND TAX REVENUE FUND	1,320,631	1,320,631	662,645	
BOARD DESIGNATED FUND	-	-	2,297	
DIAGNOSTIC IMAGING FUND	3,164	3,164	2,971	
DONOR RESTRICTED FUND	1,140,621	1,140,621	1,229,141	
WORKERS COMPENSATION FUND	27,467	26,288	218	
TOTAL	60,151,203	60,014,424	58,775,266	
LESS CURRENT PORTION	(6,133,867)	(6,286,244)	(5,192,823)	
TOTAL ASSETS LIMITED OR RESTRICTED - NET	54,017,336	53,728,181	53,582,443	
NONCURRENT ASSETS AND INVESTMENTS:				
INVESTMENT IN TSC, LLC	43,372	43,372	324,395	
PROPERTY HELD FOR FUTURE EXPANSION	836,353	836,353	836,353	
PROPERTY & EQUIPMENT NET	128,501,157	128,610,018	130,028,688	
GO BOND CIP, PROPERTY & EQUIPMENT NET	31,836,883	30,322,444	23,062,279	
TOTAL ASSETS	262,716,496	262,003,619	251,743,791	
DEFERRED OUTFLOW OF RESOURCES:				
DEFERRED LOSS ON DEFEASANCE	533,342	536,574	572,130	
ACCUMULATED DECREASE IN FAIR VALUE OF HEDGING DERIVATIVE	2,126,025	2,281,527	1,928,316	3
DEFERRED OUTFLOW OF RESOURCES ON REFUNDING	6,480,886	6,504,591	1,993,407	
GO BOND DEFERRED FINANCING COSTS	508,713	510,647	309,097	
DEFERRED FINANCING COSTS	209,096	210,136	221,579	
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 9,858,061	\$ 10,043,475	\$ 5,024,529	
LIABILITIES				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	\$ 4,590,262	\$ 6,418,800	\$ 5,873,329	4
ACCRUED PAYROLL & RELATED COSTS	10,097,141	9,589,131	7,887,437	5
INTEREST PAYABLE	299,138	208,039	327,580	
INTEREST PAYABLE GO BOND	630,984	315,492	719,697	
ESTIMATED SETTLEMENTS, M-CAL & M-CARE	58,327	58,327	366,356	
HEALTH INSURANCE PLAN	1,307,731	1,307,731	1,307,731	
WORKERS COMPENSATION PLAN	1,120,980	1,120,980	404,807	
COMPREHENSIVE LIABILITY INSURANCE PLAN	751,298	751,298	824,203	
CURRENT MATURITIES OF GO BOND DEBT	1,260,000	1,260,000	530,000	
CURRENT MATURITIES OF OTHER LONG TERM DEBT	2,260,819	2,379,095	2,323,994	
TOTAL CURRENT LIABILITIES	22,376,679	23,408,893	20,565,134	
NONCURRENT LIABILITIES				
OTHER LONG TERM DEBT NET OF CURRENT MATURITIES	28,250,589	28,237,129	30,528,294	
GO BOND DEBT NET OF CURRENT MATURITIES	103,462,971	103,476,392	100,028,975	
DERIVATIVE INSTRUMENT LIABILITY	2,126,025	2,281,527	1,928,316	3
TOTAL LIABILITIES	156,216,264	157,403,941	153,050,719	
NET ASSETS				
NET INVESTMENT IN CAPITAL ASSETS RESTRICTED	115,217,672	113,502,532	102,488,460	
	1,140,621	1,140,621	1,229,141	
TOTAL NET POSITION	\$ 116,358,293	\$ 114,643,153	\$ 103,717,601	

* Amounts included for Days Cash on Hand calculation











TAHOE FOREST HOSPITAL DISTRICT
NOTES TO STATEMENT OF NET POSITION
SEPTEMBER 2016 PRE-AUDIT

1. Working Capital is at 27.1 days (policy is 30 days). Days Cash on Hand (S&P calculation) is 185.8 days. Working Capital cash decreased a net \$1,675,000. Cash collections fell short of target by 12%. Accounts Payable (See Note 4) decreased \$1,829,000 and Accrued Payroll & Related Costs (See Note 5) increased \$508,000.
2. Net Patient Accounts Receivable decreased approximately \$95,000. Cash collections were 88% of target. Days in Accounts Receivable are at 54.5 days compared to prior months 56.7 days, a 2.20 days decrease.
3. To comply with GASB No. 63, the District has booked an adjustment to the asset and offsetting liability to reflect the fair value of the Piper Jaffray swap transaction at the close of September.
4. Accounts Payable decreased \$1,829,000 due to the timing of the final check run in August.
5. Accrued Payroll & Related Costs increased \$508,000 due to 13 days of accrual at the close of September.

**Tahoe Forest Hospital District
Cash Investment
September 2016**

WORKING CAPITAL			
US Bank	\$ 9,186,600		
US Bank/Kings Beach Thrift Store	99,098		
US Bank/Truckee Thrift Store	267,173		
US Bank/Payroll Clearing	-		
Local Agency Investment Fund	-	0.63%	
Total			\$ 9,552,871
BOARD DESIGNATED FUNDS			
US Bank Savings	\$ -	0.03%	
Capital Equipment Fund	-		
Total			\$ -
Building Fund	\$ -		
Cash Reserve Fund	55,958,822	0.63%	
Local Agency Investment Fund			\$ 55,958,822
Banc of America Muni Lease			\$ 981,619
Bonds Cash 2002			\$ 3
Bonds Cash 2015			\$ 486,433
Bonds Cash 2008			\$ 1,553,075
DX Imaging Education	\$ 3,164	0.63%	
Workers Comp Fund - B of A	27,467		
Insurance			
Health Insurance LAIF	-	0.63%	
Comprehensive Liability Insurance LAIF	-	0.63%	
Total			<u>\$ 30,630</u>
TOTAL FUNDS			\$ 68,563,453
RESTRICTED FUNDS			
Gift Fund			
US Bank Money Market	\$ 8,363	0.03%	
Foundation Restricted Donations	\$ 98,331		
Local Agency Investment Fund	1,033,927	0.63%	
TOTAL RESTRICTED FUNDS			<u>\$ 1,140,621</u>
TOTAL ALL FUNDS			<u><u>\$ 69,704,074</u></u>

**TAHOE FOREST HOSPITAL DISTRICT
STATEMENT OF NET POSITION
KEY FINANCIAL INDICATORS
SEPTEMBER 2016**

	Current Status	Desired Position	Target	Bond Covenants	FY 2017 Jul 16 to Sept 2016	FY 2016 Jul 15 to June 16	FY 2015 Jul 14 to June 15	FY 2014 Jul 13 to June 14	FY 2013 Jul 12 to June 13	FY 2012 Jul 11 to June 12	FY 2011 Jul 10 to June 11
Return On Equity: <u>Increase (Decrease) in Net Position</u> Net Position		↑	3.7% (1)		4.2%	10.9%	2.19%	.001%	-4.0%	8.7%	6.3%
Days in Accounts Receivable (excludes SNF & MSC) <u>Gross Accounts Receivable</u> 90 Days		↓	FYE 63 Days		55	57	60	75	97	64	59
<u>Gross Accounts Receivable</u> 365 Days				61	55	62	75	93	64	59	
Days Cash on Hand Excludes Restricted: <u>Cash + Short-Term Investments</u> (Total Expenses - Depreciation Expense)/ by 365	 	↑↑	Budget FYE 171 Days Budget 1st Qtr 159 Days Projected 1st Qtr 174 Days	60 Days A- 203 Days BBB- 142 Days	186	201	156	164	148	203	209
Accounts Receivable over 120 days (excludes payment plan, legal and charitable balances)		↓	13%		17%	19%	18%	22%	29%	15%	11%
Accounts Receivable over 120 days (includes payment plan, legal and charitable balances)		↓	18%		21%	24%	23%	25%	34%	19%	16%
Cash Receipts Per Day (based on 30 day lag on Patient Net Revenue) excludes managed care reserve	 	↑	FYE Budget \$344,601 End 1st Qtr Budget \$345,702 End 1st Qtr Actual \$370,709		\$320,411	\$313,153	\$290,776	\$286,394	\$255,901	\$254,806	\$240,383
Debt Service Coverage: Excess Revenue over Exp + <u>Interest Exp + Depreciation</u> Debt Principal Payments + Interest Expense		↑	Without GO Bond 3.93 With GO Bond 2.04	1.95	4.80 2.26	6.19 2.77	3.28 1.59	2.18 1.29	.66 .89	4.83 2.70	4.35 2.45

Footnotes:

- (1) Target Return on Equity was established during the FY17 budgeting process. Fiscal year 2016 ended with a higher net income than projected. Based upon the actual fiscal year end net asset number, our Target Return on Equity was 3.6%.

TAHOE FOREST HOSPITAL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 2016

CURRENT MONTH				Note	YEAR TO DATE				PRIOR YTD SEPT 2015	
ACTUAL	BUDGET	VAR\$	VAR%		ACTUAL	BUDGET	VAR\$	VAR%		
\$ 20,992,591	\$ 18,970,106	\$ 2,022,486	10.7%							
OPERATING REVENUE										
				Total Gross Revenue	\$ 64,343,059	\$ 61,267,892	\$ 3,075,167	5.0%	1	\$ 55,308,431
				Gross Revenues - Inpatient						
\$ 1,946,967	\$ 1,758,303	\$ 188,664	10.7%	Daily Hospital Service	\$ 6,081,546	\$ 5,452,557	\$ 628,989	11.5%		\$ 4,852,307
3,565,502	3,633,954	(68,452)	-1.9%	Ancillary Service - Inpatient	11,571,228	11,517,327	53,900	0.5%		10,015,068
5,512,469	5,392,258	120,211	2.2%	Total Gross Revenue - Inpatient	17,652,773	16,969,884	682,889	4.0%	1	14,867,375
15,480,123	13,577,848	1,902,275	14.0%	Gross Revenue - Outpatient	46,690,286	44,298,007	2,392,278	5.4%		40,441,056
15,480,123	13,577,848	1,902,275	14.0%	Total Gross Revenue - Outpatient	46,690,286	44,298,007	2,392,278	5.4%	1	40,441,056
				Deductions from Revenue:						
9,309,827	7,776,506	(1,533,321)	-19.7%	Contractual Allowances	27,659,023	25,052,676	(2,606,347)	-10.4%	2	22,266,695
538,011	664,418	126,407	19.0%	Charity Care	1,879,701	2,146,837	267,136	12.4%	2	1,674,690
(16,420)	-	16,420	0.0%	Charity Care - Catastrophic Events	-	-	-	0.0%	2	-
281,781	284,869	3,087	1.1%	Bad Debt	289,054	926,398	637,344	68.8%	2	(328,929)
-	-	-	0.0%	Prior Period Settlements	(131)	-	131	0.0%	2	(43)
10,113,200	8,725,793	(1,387,407)	-15.9%	Total Deductions from Revenue	29,827,648	28,125,911	(1,701,736)	-6.1%		23,612,413
50,049	54,748	(4,699)	-8.6%	Property Tax Revenue- Wellness Neighborhood	124,975	168,252	(43,276)	-25.7%		144,299
798,925	762,547	36,378	4.8%	Other Operating Revenue	2,563,307	2,193,636	369,671	16.9%	3	1,901,818
11,728,366	11,061,608	666,758	6.0%	TOTAL OPERATING REVENUE	37,203,694	35,503,868	1,699,826	4.8%		33,742,135
OPERATING EXPENSES										
3,708,343	3,712,290	3,947	0.1%	Salaries and Wages	11,651,311	11,619,766	(31,544)	-0.3%	4	10,442,957
1,219,744	1,158,312	(61,433)	-5.3%	Benefits	3,777,677	3,698,115	(79,561)	-2.2%	4	3,863,838
43,264	57,011	13,748	24.1%	Benefits Workers Compensation	144,137	171,033	26,896	15.7%	4	138,488
567,528	694,217	126,689	18.2%	Benefits Medical Insurance	1,821,847	2,082,651	260,804	12.5%	4	1,637,746
1,912,186	1,785,292	(126,894)	-7.1%	Professional Fees	5,536,530	5,382,310	(154,220)	-2.9%	5	4,474,295
1,649,162	1,656,031	6,869	0.4%	Supplies	5,081,789	5,224,601	142,812	2.7%	6	4,440,396
972,097	840,425	(131,672)	-15.7%	Purchased Services	2,647,369	2,658,418	11,049	0.4%	7	2,495,219
651,779	592,668	(59,111)	-10.0%	Other	1,478,946	1,704,778	225,832	13.2%	8	1,353,878
10,724,103	10,496,246	(227,856)	-2.2%	TOTAL OPERATING EXPENSE	32,139,606	32,541,673	402,067	1.2%		28,846,817
1,004,263	565,361	438,902	77.6%	NET OPERATING REVENUE (EXPENSE) EBIDA	5,064,088	2,962,195	2,101,893	71.0%		4,895,318
NON-OPERATING REVENUE/(EXPENSE)										
456,451	451,752	4,699	1.0%	District and County Taxes	1,394,525	1,351,248	43,276	3.2%	9	1,212,322
391,933	391,933	-	0.0%	District and County Taxes - GO Bond	1,175,800	1,175,800	-	0.0%		1,178,074
43,717	32,380	11,337	35.0%	Interest Income	133,720	93,103	40,617	43.6%	10	76,096
335	-	335	0.0%	Interest Income-GO Bond	344	-	344	0.0%		8,429
42,085	38,917	3,169	8.1%	Donations	72,542	116,750	(44,208)	-37.9%	11	69,133
-	(31,250)	31,250	-100.0%	Gain/ (Loss) on Joint Investment	-	(31,250)	31,250	-100.0%	12	-
-	-	-	0.0%	Loss on Impairment of Asset	-	-	-	0.0%	12	-
-	-	-	0.0%	Gain/ (Loss) on Sale of Equipment	-	-	-	0.0%	13	-
-	-	-	0.0%	Impairment Loss	-	-	-	0.0%	14	-
(967,356)	(966,316)	(1,040)	-0.1%	Depreciation	(2,902,069)	(2,898,948)	(3,121)	-0.1%	15	(2,567,644)
(101,436)	(99,039)	(2,396)	-2.4%	Interest Expense	(304,891)	(299,655)	(5,235)	-1.7%	16	(384,239)
845,148	633,417	211,731	33.4%	Interest Expense-GO Bond	198,956	2,434	196,522	8075.6%		(166,153)
710,877	451,793	259,084	57.3%	TOTAL NON-OPERATING REVENUE/(EXPENSE)	(231,073)	(490,519)	259,446	52.9%		(573,982)
\$ 1,715,140	\$ 1,017,155	\$ 697,985	68.6%	INCREASE (DECREASE) IN NET POSITION	\$ 4,833,015	\$ 2,471,676	\$ 2,361,339	95.5%		\$ 4,321,336
NET POSITION - BEGINNING OF YEAR					111,525,278					
NET POSITION - AS OF SEPTEMBER 30, 2016					\$ 116,358,293					
4.8%	3.0%	1.8%		RETURN ON GROSS REVENUE EBIDA	7.9%	4.8%	3.0%			8.9%

TAHOE FOREST HOSPITAL DISTRICT
NOTES TO STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 2016

		Variance from Budget	
		Fav / <Unfav>	
		SEPT 2016	YTD 2017
1) Gross Revenues			
Acute Patient Days were above budget 13.29% or 46 days. Swing Bed days were under budget 13.64% or 3 days. Inpatient Ancillary revenues fell below budget by 1.9% due to the lower acuity levels in our patients.	Gross Revenue -- Inpatient	\$ 120,211	\$ 682,889
	Gross Revenue -- Outpatient	1,902,275	2,392,278
	Gross Revenue -- Total	\$ 2,022,486	\$ 3,075,167
Outpatient volumes were above budget in the following departments: Emergency Department visits, Home Health visits, Endoscopy procedures, Laboratory tests, Diagnostic Imaging, Mammography, Medical and Radiation Oncology procedures, MRI exams, Ultrasounds, Cat Scans, PET CTs, Pharmacy units, Oncology Drugs, Physical Therapy, Occupational Therapy, and Speech Therapy.			
2) Total Deductions from Revenue			
The payor mix for September shows a 2.22% increase to Medicare, a 1.63% increase to Medi-Cal, .80% decrease to Other, County at budget, and a 3.05% decrease to Commercial when compared to budget. Contractual Allowances were over budget as a result of revenues exceeding budget by 10.7% and the shift in payor mix from Commercial to Medicare and Medi-Cal.	Contractual Allowances	\$ (1,533,321)	\$ (2,606,347)
	Charity Care	126,407	267,136
	Charity Care - Catastrophic	16,420	-
	Bad Debt	3,087	637,344
	Prior Period Settlements	-	131
	Total	\$ (1,387,407)	\$ (1,701,736)
3) Other Operating Revenue			
Retail Pharmacy revenues exceeded budget by 21.72%.	Retail Pharmacy	\$ 50,743	\$ 150,437
	Hospice Thrift Stores	(2,864)	18,213
	The Center (non-therapy)	(884)	(25,636)
	IVCH ER Physician Guarantee	23,592	55,110
	Children's Center	2,130	1,192
	Miscellaneous	(36,339)	170,355
	Oncology Drug Replacement	-	-
	Grants	-	-
	Total	\$ 36,378	\$ 369,671
4) Salaries and Wages			
Salaries & Wages includes an accrual for the estimated increases that would be retroactive to 7/1/16 related to the bargaining unit agreements.	Total	\$ 3,947	\$ (31,544)
Employee Benefits			
Negative variance in PL/SL related to a higher utilization of PL/SL this month, which helped create a positive variance in Salaries & Wages	PL/SL	\$ (58,645)	\$ (131,466)
	Nonproductive	(11,991)	(26,235)
	Pension/Deferred Comp	414	(1,237)
	Standby	9,257	48,723
	Other	(468)	30,653
	Total	\$ (61,433)	\$ (79,561)
Employee Benefits - Workers Compensation	Total	\$ 13,748	\$ 26,896
Employee Benefits - Medical Insurance	Total	\$ 126,689	\$ 260,804
5) Professional Fees			
Professional services provided to the Medi-Cal PRIME project, insurance contract reimbursement support, and Anesthesia Income Guarantee payments created a negative variance in Miscellaneous.	Miscellaneous	\$ (56,918)	\$ (124,594)
	Multi-Specialty Clinics	24,786	(64,327)
	Multi-Specialty Clinics Admin	(31,922)	(57,853)
	TFH Locums	(40,900)	(31,214)
	The Center (includes OP Therapy)	(29,042)	(28,281)
	Information Technology	(6,257)	(14,177)
	Oncology	3,213	(7,181)
	IVCH ER Physicians	(293)	(3,338)
	Medical Staff Services	658	(42)
	Patient Accounting/Admitting	-	-
	Business Performance	-	-
	Respiratory Therapy	-	-
	Home Health/Hospice	2,046	146
	Administration	35,981	1,434
	Marketing	2,375	7,125
	Human Resources	5,774	10,822
	Sleep Clinic	(5,452)	11,422
	Managed Care	6,480	12,821
	TFH/IVCH Therapy Services	31,147	38,146
	Financial Administration	(109,448)	39,824
	Corporate Compliance	40,877	55,047
	Total	\$ (126,894)	\$ (154,220)
Negative variance in Multi-Specialty Clinics Admin for the Interim Director of Physician Services.			
Negative variance in TFH Locums coverage related to Hospitalists coverage.			
Outpatient Physical, Occupational, and Speech Therapy revenues exceeded budget by 9.49%, creating a negative variance in The Center (includes OP Therapy).			
Legal Fees and Physician Directorship fees fell short of budget, creating a positive variance in Administration.			
Negative variance in Financial Administration related to fees paid to the District's Medicare Bad Debt Recovery consultant. Fees paid are a percentage of Bad Debt recovery monies that can be claimed dollar for dollar on the Medicare cost reports as reimbursement.			
Corporate Compliance legal fees came in below budget, creating a positive variance in this category.			

TAHOE FOREST HOSPITAL DISTRICT
NOTES TO STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 2016

		<u>Variance from Budget</u>	
		<u>Fav / <Unfav></u>	
		<u>SEPT 2016</u>	<u>YTD 2017</u>
6) <u>Supplies</u>			
Drugs Sold to Patients and Oncology Drugs Sold to Patients revenue exceeded budget by 17.79%, creating a negative variance in Pharmacy Supplies.	Pharmacy Supplies	\$ (124,090)	\$ (111,519)
Restocking of emergency food supplies and the increase in patient volumes, both Inpatient and Outpatient, created a negative variance in Food.	Minor Equipment	(9,085)	(24,327)
Medical Supplies Sold to Patients and Surgical Services revenues came in under budget by 9.51%, creating a positive variance in Patient & Other Medical Supplies.	Food	(10,723)	(20,805)
	Imaging Film	36	1,630
	Other Non-Medical Supplies	(5,124)	6,967
	Office Supplies	6,375	22,632
	Patient & Other Medical Supplies	149,480	268,234
	Total	\$ 6,869	\$ 142,812
7) <u>Purchased Services</u>			
Purchased services for the Wellness Neighborhood, Community Health, Laundry & Linen services, including restocking fees, Plant Maintenance, and Retail Pharmacy for 340B oversight created a negative variance in Miscellaneous.	Miscellaneous	\$ (133,294)	\$ (55,884)
	Multi-Specialty Clinics	(7,162)	(7,516)
	Patient Accounting	5,233	(6,862)
	Medical Records	(3,254)	(4,188)
	Diagnostic Imaging Services - All	5,357	(1,437)
	Hospice	2,550	(769)
	The Center	306	550
	Pharmacy IP	(827)	1,770
	Laboratory	(1,940)	5,976
	Community Development	2,700	8,100
	Information Technology	2,070	16,205
	Department Repairs	(2,484)	19,649
	Human Resources	(927)	35,454
	Total	\$ (131,672)	\$ 11,049
8) <u>Other Expenses</u>			
Ongoing Leadership training, tuition reimbursement, and travel related to conferences for Personnel, Nursing Administration, Oncology, Cardiac Rehabilitation, and Financial Administration (Auditors) created a negative variance in Outside Training & Travel.	Outside Training & Travel	\$ (28,042)	\$ (26,197)
Natural Gas, Electricity, and Telephone costs exceeded budget, creating a negative variance in Utilities.	Insurance	(2,441)	(7,284)
Recruitment fees for the placement of the District's Executive Director of Physician Services created a negative variance in Human Resources Recruitment.	Other Building Rent	(179)	(1,735)
	Innovation Fund	-	-
	Multi-Specialty Clinics Bldg Rent	(3,034)	143
	Utilities	(7,332)	804
	Multi-Specialty Clinics Equip Rent	796	1,011
	Physician Services	9	1,313
	Equipment Rent	1,834	2,014
	Human Resources Recruitment	(37,747)	15,100
	Dues and Subscriptions	12,584	38,160
	Marketing	(5,264)	44,969
	Miscellaneous	9,705	157,533
	Total	\$ (59,111)	\$ 225,832
9) <u>District and County Taxes</u>	Total	\$ 4,699	\$ 43,276
10) <u>Interest Income</u>	Total	\$ 11,337	\$ 40,617
11) <u>Donations</u>			
	IVCH	\$ 10,699	\$ 14,557
	Operational	(7,530)	(58,765)
	Capital Campaign	-	-
	Total	3,169	(44,208)
12) <u>Gain/(Loss) on Joint Investment</u>	Total	\$ 31,250	\$ 31,250
13) <u>Gain/(Loss) on Sale</u>	Total	\$ -	\$ -
15) <u>Depreciation Expense</u>	Total	\$ (1,040)	\$ (3,121)
16) <u>Interest Expense</u>	Total	\$ (2,396)	\$ (5,235)

TAHOE FOREST HOSPITAL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
KEY FINANCIAL INDICATORS
SEPTEMBER 2016

	Current Status	Desired Position	Target	<u>FY 2017</u> Jul 16 to Sept 16	<u>FY 2016</u> Jul 15 to June 16	<u>FY 2015</u> Jul 14 to June 15	<u>FY 2014</u> Jul 13 to June 14	<u>FY 2013</u> Jul 12 to June 13	<u>FY 2012</u> Jul 11 to June 12	<u>FY 2011</u> Jul 10 to June 11
Total Margin: <u>Increase (Decrease) In Net Position</u> Total Gross Revenue		↑	FYE 1.7% 1st Qtr 4.0%	7.5%	5.5%	1.0%	.01%	-2.2%	5.3%	3.6%
Charity Care: <u>Charity Care Expense</u> Gross Patient Revenue		↓	FYE 3.5% 1st Qtr 3.5%	2.9%	3.4%	3.1%	3.2%	3.2%	2.6%	3.0%
Bad Debt Expense: <u>Bad Debt Expense</u> Gross Patient Revenue		↓	FYE 1.5% 1st Qtr 1.5%	.5%	-.2%	1.6%	1.6%	4.6%	4.3%	3.8%
Incline Village Community Hospital: EBIDA: Earnings before interest, Depreciation, amortization <u>Net Operating Revenue <Expense></u> Gross Revenue		↑	FYE 9.6% 1st Qtr 13.0%	17.7%	11.3%	9.1%	4.9%	11.5%	10.8%	12.3%
Operating Expense Variance to Budget (Under<Over>)		↑	-0-	\$402,067	\$(7,548,217)	\$(6,371,653)	\$2,129,279	\$(1,498,683)	\$790,439	\$15,188
EBIDA: Earnings before interest, Depreciation, amortization <u>Net Operating Revenue <Expense></u> Gross Revenue		↑	FYE 3.6% 1st Qtr 4.8%	7.9%	7.3%	3.5%	2.0%	.9%	5.6%	5.1%

INCLINE VILLAGE COMMUNITY HOSPITAL
STATEMENT OF REVENUE AND EXPENSE
SEPTEMBER 2016

CURRENT MONTH				Note	YEAR TO DATE				PRIOR YTD
ACTUAL	BUDGET	VAR\$	VAR%		ACTUAL	BUDGET	VAR\$	VAR%	SEPT 2015
OPERATING REVENUE									
\$ 1,657,755	\$ 1,502,839	\$ 154,916	10.3%	Total Gross Revenue	\$ 5,235,933	\$ 5,122,524	\$ 113,410	2.2%	1 \$ 5,036,160
Gross Revenues - Inpatient									
\$ -	\$ 2,914	\$ (2,914)	-100.0%	Daily Hospital Service	\$ 11,624	\$ 5,828	\$ 5,796	99.4%	\$ 16,574
-	3,247	(3,247)	-100.0%	Ancillary Service - Inpatient	19,089	9,903	9,186	92.8%	24,146
-	6,161	(6,161)	-100.0%	Total Gross Revenue - Inpatient	30,713	15,731	14,982	95.2%	1 40,720
1,657,755	1,496,678	161,077	10.8%	Gross Revenue - Outpatient	5,205,221	5,106,793	98,428	1.9%	4,995,440
1,657,755	1,496,678	161,077	10.8%	Total Gross Revenue - Outpatient	5,205,221	5,106,793	98,428	1.9%	1 4,995,440
Deductions from Revenue:									
584,442	490,023	(94,419)	-19.3%	Contractual Allowances	1,868,064	1,658,152	(209,912)	-12.7%	2 1,547,505
66,304	56,557	(9,746)	-17.2%	Charity Care	186,151	192,978	6,827	3.5%	2 170,455
(16,420)	-	16,420	0.0%	Charity Care - Catastrophic Events	-	-	-	0.0%	2 -
103,688	54,301	(49,387)	-91.0%	Bad Debt	73,119	185,279	112,161	60.5%	2 153,316
-	-	-	0.0%	Prior Period Settlements	-	-	-	0.0%	2 -
738,013	600,881	(137,133)	-22.8%	Total Deductions from Revenue	2,127,334	2,036,410	(90,924)	-4.5%	2 1,871,276
109,248	73,280	35,969	49.1%	Other Operating Revenue	284,500	219,839	64,661	29.4%	3 235,054
1,028,990	975,238	53,752	5.5%	TOTAL OPERATING REVENUE	3,393,099	3,305,953	87,147	2.6%	3,399,938
OPERATING EXPENSES									
270,939	272,709	1,770	0.6%	Salaries and Wages	897,967	911,569	13,602	1.5%	4 739,687
71,694	87,831	16,137	18.4%	Benefits	270,844	283,000	12,156	4.3%	4 218,630
1,965	1,417	(548)	-38.7%	Benefits Workers Compensation	6,395	4,250	(2,145)	-50.5%	4 7,491
28,680	44,618	15,938	35.7%	Benefits Medical Insurance	110,517	133,855	23,338	17.4%	4 105,861
236,615	238,350	1,734	0.7%	Professional Fees	721,761	742,755	20,994	2.8%	5 743,285
77,904	83,439	5,534	6.6%	Supplies	196,327	272,602	76,274	28.0%	6 196,399
47,098	44,355	(2,743)	-6.2%	Purchased Services	116,280	131,414	15,134	11.5%	7 130,549
55,724	52,103	(3,621)	-6.9%	Other	147,550	161,573	14,022	8.7%	8 154,608
790,620	824,821	34,201	4.1%	TOTAL OPERATING EXPENSE	2,467,641	2,641,018	173,376	6.6%	2,296,510
238,370	150,417	87,953	58.5%	NET OPERATING REV(EXP) EBIDA	925,458	664,935	260,523	39.2%	1,103,428
NON-OPERATING REVENUE/(EXPENSE)									
10,699	-	10,699	0.0%	Donations-IVCH	14,557	-	14,557	0.0%	9 -
-	-	-	0.0%	Gain/ (Loss) on Sale	-	-	-	0.0%	10 -
(64,277)	(64,277)	-	0.0%	Depreciation	(192,830)	(192,830)	-	0.0%	11 (175,077)
(53,578)	(64,277)	10,699	16.6%	TOTAL NON-OPERATING REVENUE/(EXP)	(178,273)	(192,830)	14,557	7.5%	(175,077)
\$ 184,793	\$ 86,141	\$ 98,652	114.5%	EXCESS REVENUE(EXPENSE)	\$ 747,185	\$ 472,105	\$ 275,080	58.3%	\$ 928,351
14.4%	10.0%	4.4%		RETURN ON GROSS REVENUE EBIDA	17.7%	13.0%	4.7%		21.9%

**INCLINE VILLAGE COMMUNITY HOSPITAL
NOTES TO STATEMENT OF REVENUE AND EXPENSE
SEPTEMBER 2016**

		<u>Variance from Budget</u>	
		<u>Fav<Unfav></u>	
		<u>SEPT 2016</u>	<u>YTD 2017</u>
1) Gross Revenues			
Acute Patient Days were below budget by 1 at 0 and Observation Days were under budget by 1 at 1.	Gross Revenue -- Inpatient	\$ (6,161)	\$ 14,982
	Gross Revenue -- Outpatient	161,077	98,428
		<u>\$ 154,916</u>	<u>\$ 113,410</u>
Outpatient volumes exceeded budget in Emergency Department visits, Laboratory tests, Cat Scans, Pharmacy units, and Health Clinic visits.			
2) Total Deductions from Revenue			
We saw a shift in our payor mix with a 12.83% decrease in Commercial Insurance, a 3.97% increase in Medicare, a 6.50% increase in Medicaid, a 2.36% increase in Other, and County was at budget.	Contractual Allowances	\$ (94,419)	\$ (209,912)
	Charity Care	(9,746)	6,827
	Charity Care-Catastrophic Event	16,420	
	Bad Debt	(49,387)	112,161
	Prior Period Settlement	-	-
	Total	<u>\$ (137,133)</u>	<u>\$ (90,924)</u>
3) Other Operating Revenue			
IVCH ER Physician Guarantee is tied to collections, which exceeded budget in September.	IVCH ER Physician Guarantee	\$ 23,592	\$ 55,110
	Miscellaneous	12,377	9,551
	Total	<u>\$ 35,969</u>	<u>\$ 64,661</u>
AT&T rebates for Year 2015 created a positive variance in Miscellaneous.			
4) Salaries and Wages			
	Total	<u>\$ 1,770</u>	<u>\$ 13,602</u>
Employee Benefits			
	PL/SL	\$ 7,316	\$ (1,201)
	Standby	6,615	2,805
	Other	3,683	11,530
	Nonproductive	(1,891)	(2,428)
	Pension/Deferred Comp	413	1,451
	Total	<u>\$ 16,137</u>	<u>\$ 12,156</u>
Employee Benefits - Workers Compensation			
	Total	<u>\$ (548)</u>	<u>\$ (2,145)</u>
Employee Benefits - Medical Insurance			
	Total	<u>\$ 15,938</u>	<u>\$ 23,338</u>
5) Professional Fees			
Negative variance in Administration due to fees paid to the District's Medicare Bad Debt Recovery consultant. Fees paid are a percentage of Bad Debt recovery monies that can be claimed dollar for dollar on the Medicare costs reports as reimbursement.	Administration	\$ (11,160)	\$ (11,262)
	IVCH ER Physicians	(293)	(3,338)
	Foundation	(1,036)	(1,430)
	Miscellaneous	1,523	2,736
	Multi-Specialty Clinics	28	2,987
	Sleep Clinic	(5,452)	11,422
	Therapy Services	18,123	19,878
	Total	<u>\$ 1,734</u>	<u>\$ 20,994</u>
Sleep Clinic collections were over budget in September, creating a negative variance in Sleep Clinic Pro Fees.			
Physical and Occupational Therapy revenues fell short of budget, creating a positive variance in Therapy Services.			
6) Supplies			
Restocking of Emergency food provisions created a negative variance in Food.	Food	\$ (3,017)	\$ (4,763)
	Imaging Film	(491)	20
	Non-Medical Supplies	422	674
	Office Supplies	381	826
	Minor Equipment	700	2,453
	Pharmacy Supplies	2,970	22,613
	Patient & Other Medical Supplies	4,570	54,453
	Total	<u>\$ 5,534</u>	<u>\$ 76,274</u>
Oncology Drugs Sold to Patients Revenue fell short of budget by 100%, creating a positive variance in Pharmacy Supplies.			
Medical Supplies Sold to Patients Revenue was under budget by 12.10%, creating a positive variance in Patient & Other Medical Supplies.			

**INCLINE VILLAGE COMMUNITY HOSPITAL
NOTES TO STATEMENT OF REVENUE AND EXPENSE
SEPTEMBER 2016**

		<u>Variance from Budget</u>	
		<u>Fav<Unfav></u>	
		<u>SEPT 2016</u>	<u>YTD 2017</u>
7) <u>Purchased Services</u>			
Negative variance in EVS/Laundry due to final invoices being submitted from the District's former linen supplier and restocking supplies under the new vendor.	EVS/Laundry	\$ (4,796)	\$ (2,086)
Elevator repair for a circuit relay shortage caused a negative variance in Department repairs.	Diagnostic Imaging Services - All	(458)	(2,019)
Equipment maintenance contracts are coming in below budget estimations, creating a positive variance in Laboratory.	Department Repairs	(4,068)	(965)
	Pharmacy	(12)	(24)
	Surgical Services	-	-
	Multi-Specialty Clinics	54	403
	Foundation	(362)	1,563
	Engineering/Plant/Communications	421	2,991
	Miscellaneous	2,282	7,121
	Laboratory	4,195	8,150
	Total	\$ (2,743)	\$ 15,134
8) <u>Other Expenses</u>			
Third quarter dues for participation in Nevada Rural Hospital Association created a negative variance in Dues.	Insurance	\$ (1,892)	\$ (5,637)
Rental equipment for surgical procedures created a negative variance in Equipment Rent.	Outside Training & Travel	(926)	(4,384)
Website design created a negative variance in Marketing.	Physician Services	-	-
	Multi-Specialty Clinics Equip Rent	-	-
	Multi-Specialty Clinics Bldg Rent	-	-
	Other Building Rent	-	-
	Dues and Subscriptions	(1,614)	636
	Equipment Rent	(1,312)	1,109
	Marketing	(1,442)	2,058
	Utilities	(1,050)	2,960
	Miscellaneous	4,616	17,281
	Total	\$ (3,621)	\$ 14,022
9) <u>Donations</u>	Total	\$ 10,699	\$ 14,557
10) <u>Gain/(Loss) on Sale</u>	Total	\$ -	\$ -
11) <u>Depreciation Expense</u>	Total	\$ -	\$ -

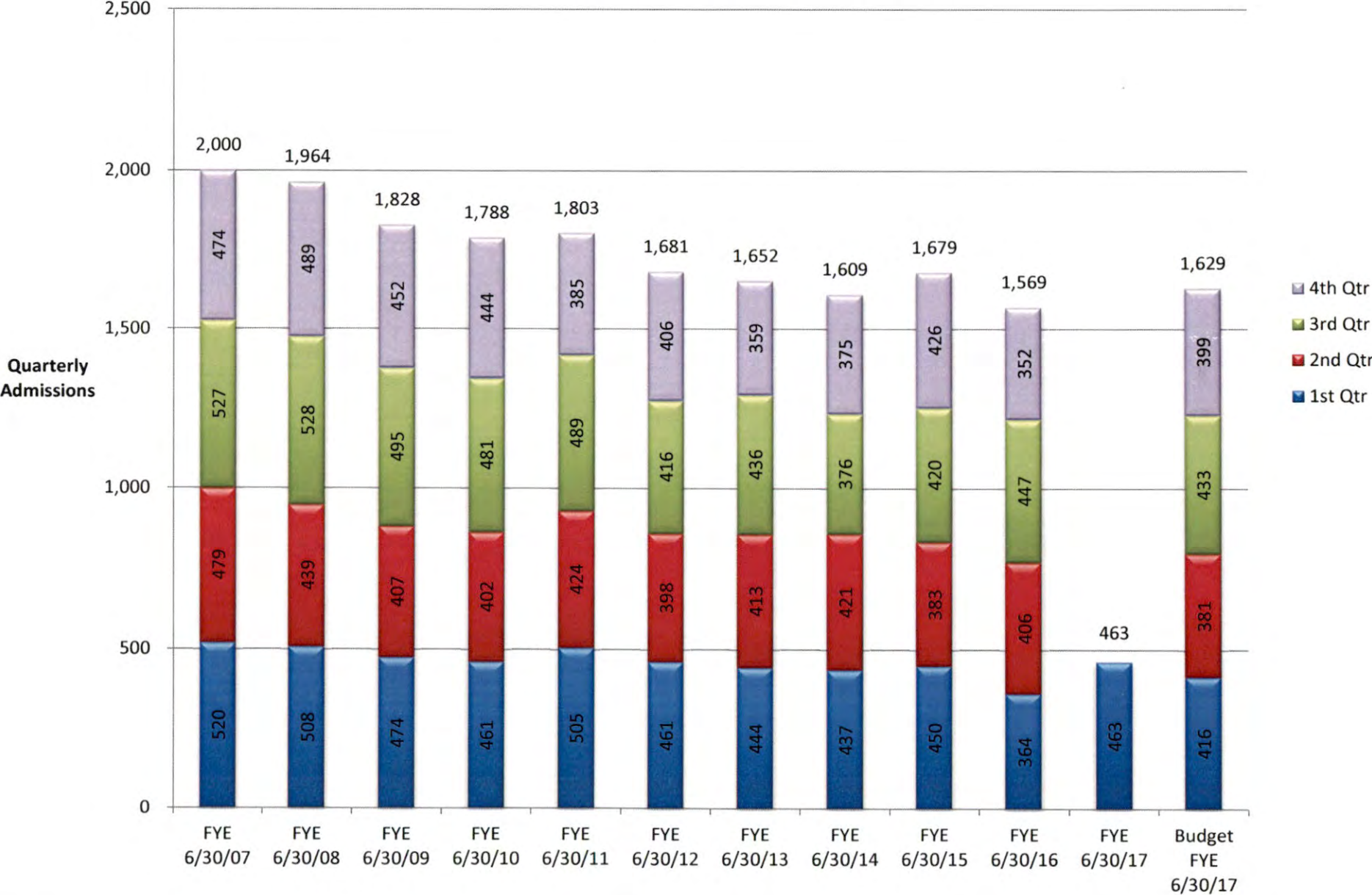
TAHOE FOREST HOSPITAL DISTRICT
STATEMENT OF CASH FLOWS

	PRE-AUDIT FYE 2016	BUDGET FYE 2017	PROJECTED FYE 2017	ACTUAL SEPT 2016	BUDGET SEPT 2016	DIFFERENCE	ACTUAL 1ST QTR	PROJECTED 2ND QTR	BUDGET 3RD QTR	BUDGET 4TH QTR
Net Operating Rev/(Exp) - EBIDA	\$ 16,129,087	\$ 8,354,249	\$ 10,294,558	1,004,263	\$ 565,361	438,902	\$ 4,905,089	\$ 1,394,954	\$ 3,062,467	\$ 932,048
Interest Income	163,091	249,285	249,612	-	-	-	70,617	48,762	60,097	70,136
Property Tax Revenue	6,120,208	5,682,000	5,717,312	-	-	-	345,312	78,000	3,020,000	2,274,000
Donations	668,318	1,023,000	1,184,916	80,418	20,000	60,418	211,916	90,000	405,000	478,000
Debt Service Payments	(3,441,272)	(3,568,341)	(3,557,197)	(240,335)	(241,694)	1,359	(1,217,943)	(725,083)	(889,087)	(725,083)
Bank of America - 2012 Muni Lease	(1,243,650)	(1,243,644)	(1,243,645)	(103,637)	(103,637)	(0)	(310,912)	(310,911)	(310,911)	(310,911)
Copier	(8,758)	(11,520)	(11,525)	(966)	(960)	(6)	(2,885)	(2,880)	(2,880)	(2,880)
2002 Revenue Bond	(483,555)	(668,008)	(660,955)	-	-	-	(496,951)	-	(164,004)	-
2015 Revenue Bond	(1,705,309)	(1,645,169)	(1,641,071)	(135,732)	(137,097)	1,366	(407,195)	(411,292)	(411,292)	(411,292)
Physician Recruitment	(263,769)	(120,000)	(90,000)	-	(10,000)	10,000	-	(30,000)	(30,000)	(30,000)
Investment in Capital										
Equipment	(1,495,214)	(1,262,750)	(1,262,750)	(171,991)	(699,624)	527,633	(452,617)	(802,633)	(7,500)	-
Municipal Lease Reimbursement	1,319,139	979,000	979,000	-	-	-	-	979,000	-	-
GO Bond Project Personal Property	(432,135)	(279,000)	(532,573)	(268,533)	(14,960)	(253,573)	(532,573)	-	-	-
IT	(888,802)	(297,578)	(297,578)	(35,495)	(242,834)	207,339	(90,239)	(207,339)	-	-
Building Projects	(2,095,500)	(4,315,500)	(4,315,500)	(411,437)	(416,220)	4,783	(1,630,513)	(1,340,987)	(709,000)	(635,000)
Health Information/Business System	(92,807)	(7,000,000)	(7,000,000)	-	-	-	-	(3,000,000)	(2,000,000)	(2,000,000)
Capital Investments										
Properties	-	(2,794,000)	(2,789,000)	-	-	-	(40,000)	(2,320,000)	(429,000)	-
Measure C Scope Modifications	-	(2,476,716)	(2,476,716)	(558,626)	(2,026,716)	1,468,090	(558,626)	(1,918,090)	-	-
Change in Accounts Receivable	(1,194,734)	(2,183,288)	N1 (1,342,626)	94,913	(698,695)	793,608	(2,178,112)	331,796	(210,814)	714,505
Change in Settlement Accounts	1,387,101	1,175,000	N2 2,301,982	456,825	(1,678,000)	2,134,825	1,126,982	1,360,000	(435,000)	250,000
Change in Other Assets	(3,180,399)	(890,622)	N3 (873,787)	(395,433)	(10,000)	(385,433)	(687,607)	(469,762)	6,718	276,864
Change in Other Liabilities	3,702,607	(320,000)	N4 (1,162,808)	(1,229,429)	350,000	(1,579,429)	(2,392,808)	1,430,000	(800,000)	600,000
Change in Cash Balance	16,404,918	(8,045,261)	(4,973,155)	(1,674,861)	(5,103,382)	3,428,521	(3,121,122)	(5,101,383)	1,043,881	2,205,470
Beginning Unrestricted Cash	52,227,897	68,632,815	68,632,815	67,186,553	67,186,553	-	68,632,815	65,511,693	60,410,310	61,454,191
Ending Unrestricted Cash	68,632,815	60,778,463	63,659,660	65,511,693	62,083,172	3,428,521	65,511,693	60,410,310	61,454,191	63,659,660
Expense Per Day	340,958	355,605	354,511	352,658	356,998	(4,341)	352,658	352,589	355,674	354,511
Days Cash On Hand	201	171	180	186	174	12	186	171	173	180

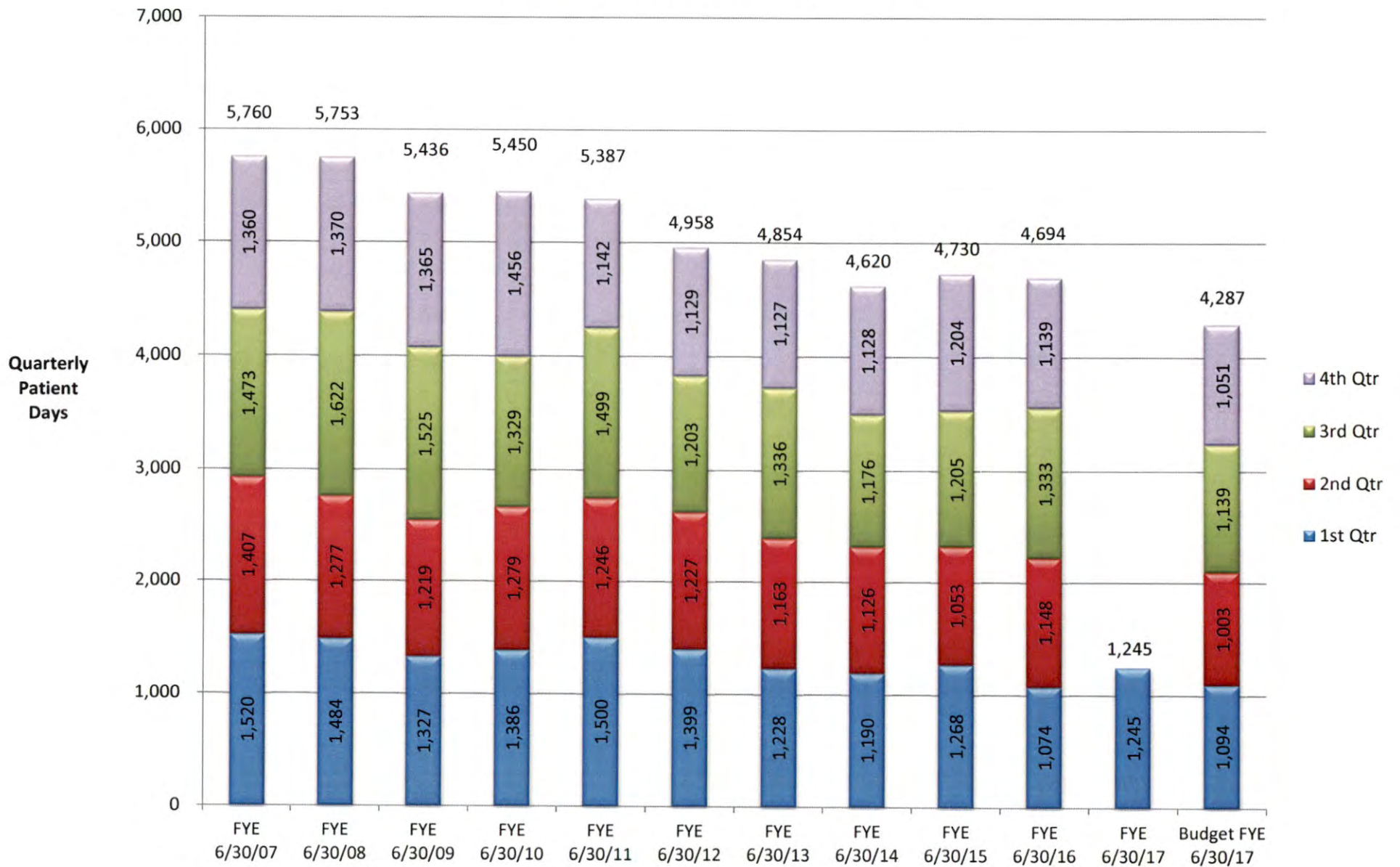
Footnotes:

- N1 - Change in Accounts Receivable reflects the 30 day delay in collections.
- N2 - Change in Settlement Accounts reflect cash flows in and out related to prior year and current year Medicare and Medi-Cal settlement accounts.
- N3 - Change in Other Assets reflect fluctuations in asset accounts on the Balance Sheet that effect cash. For example, an increase in prepaid expense immediately effects cash but not EBIDA.
- N4 - Change in Other Liabilities reflect fluctuations in liability accounts on the Balance Sheet that effect cash. For example, an increase in accounts payable effects EBIDA but not cash.

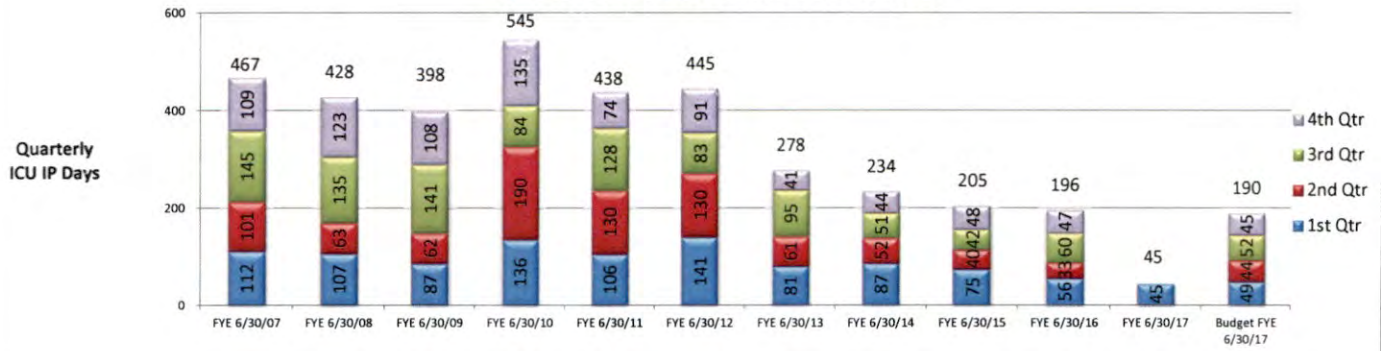
TOTAL TFH ADMISSIONS



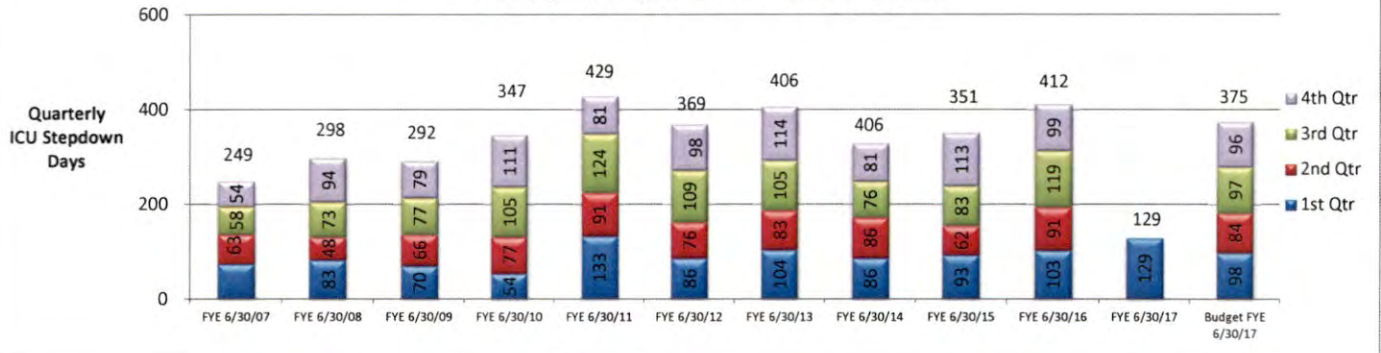
TOTAL TFH PATIENT DAYS



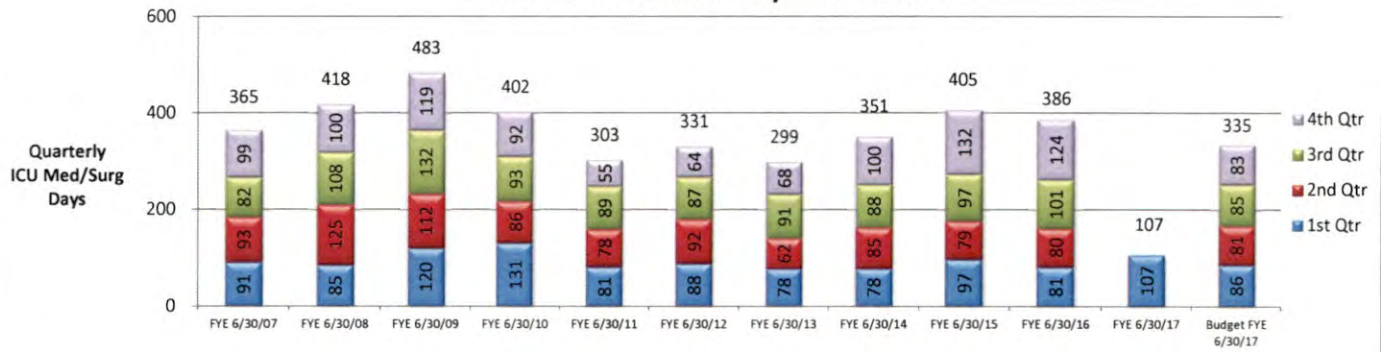
TOTAL TFH ICU INPATIENT DAYS



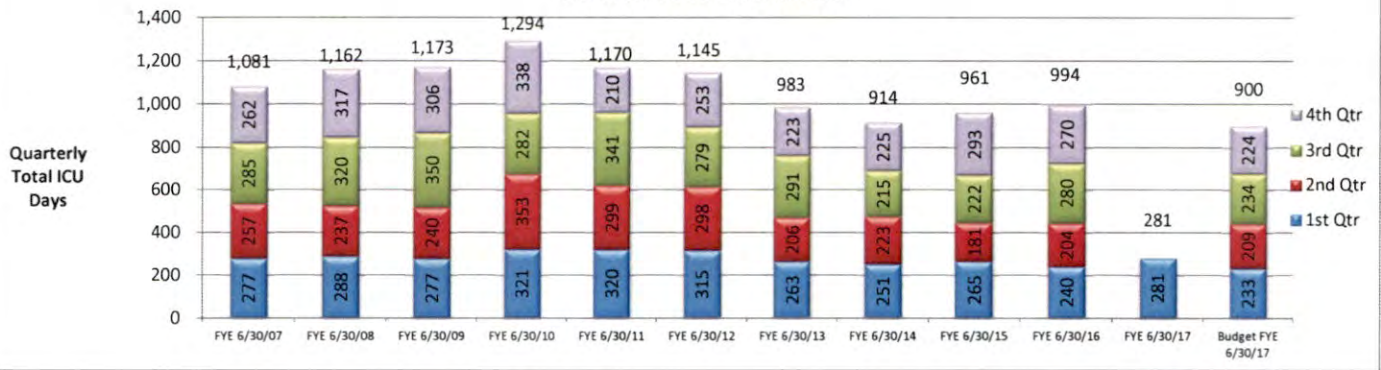
TOTAL TFH ICU STEPDOWN DAYS



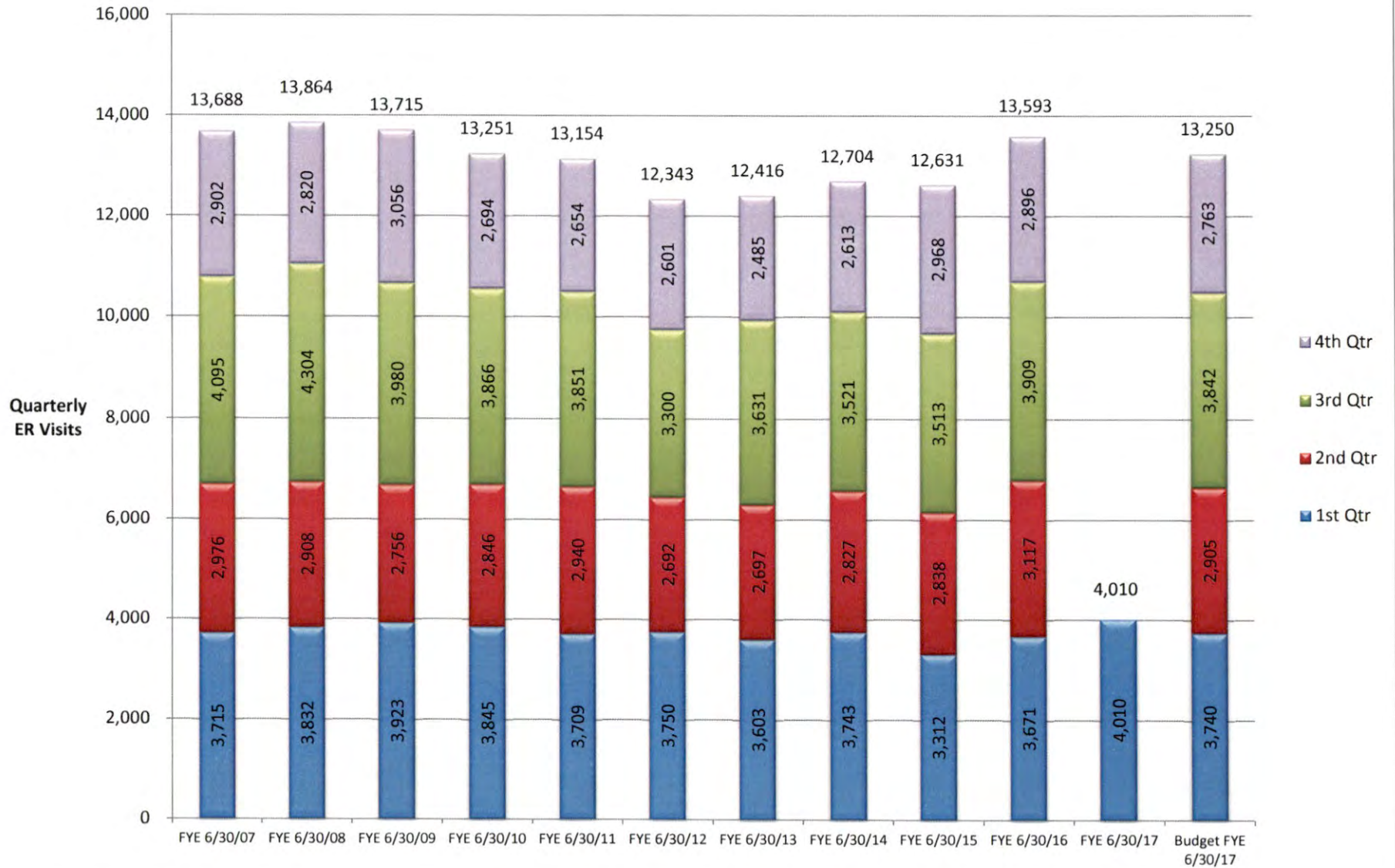
TOTAL TFH ICU MED/SURG DAYS



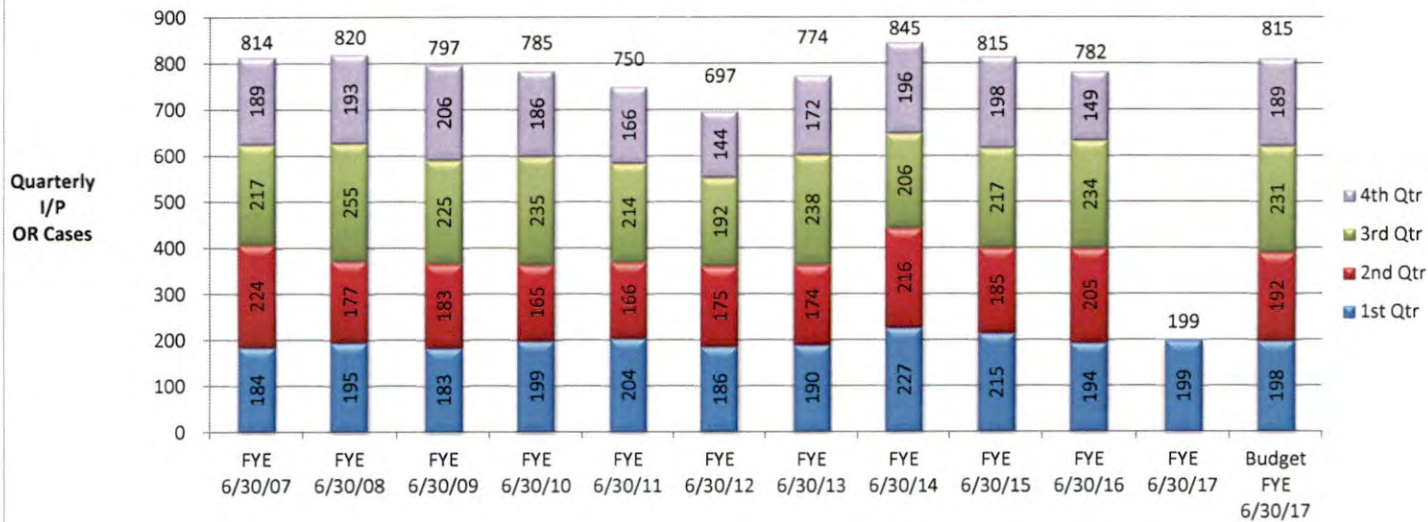
TOTAL TFH ICU DAYS



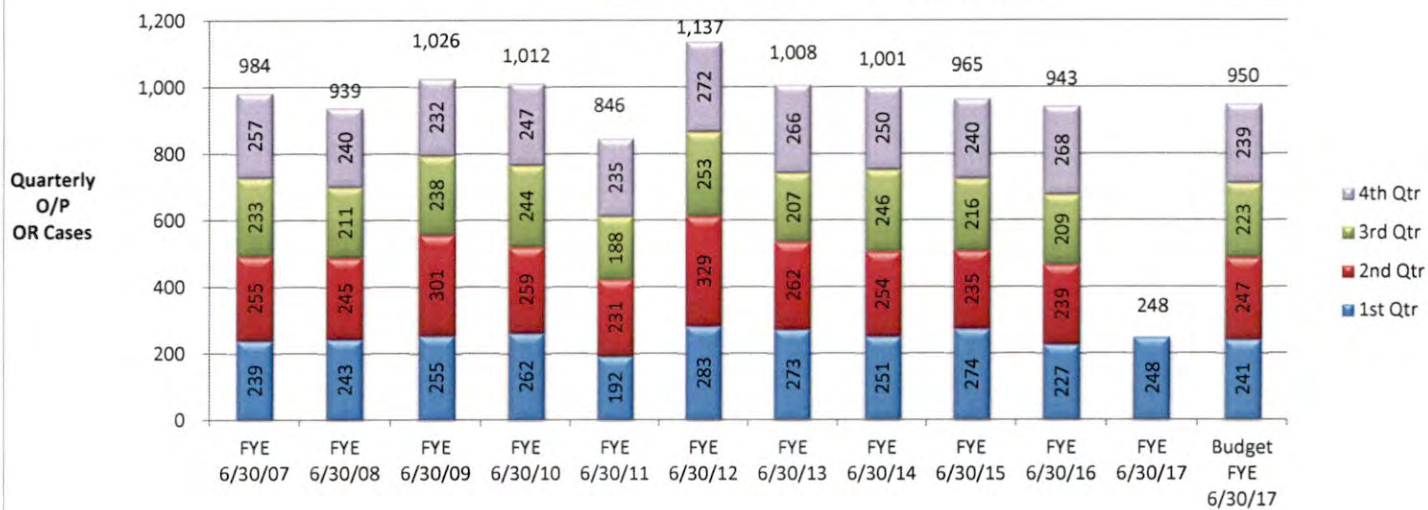
TOTAL TFH ER VISITS



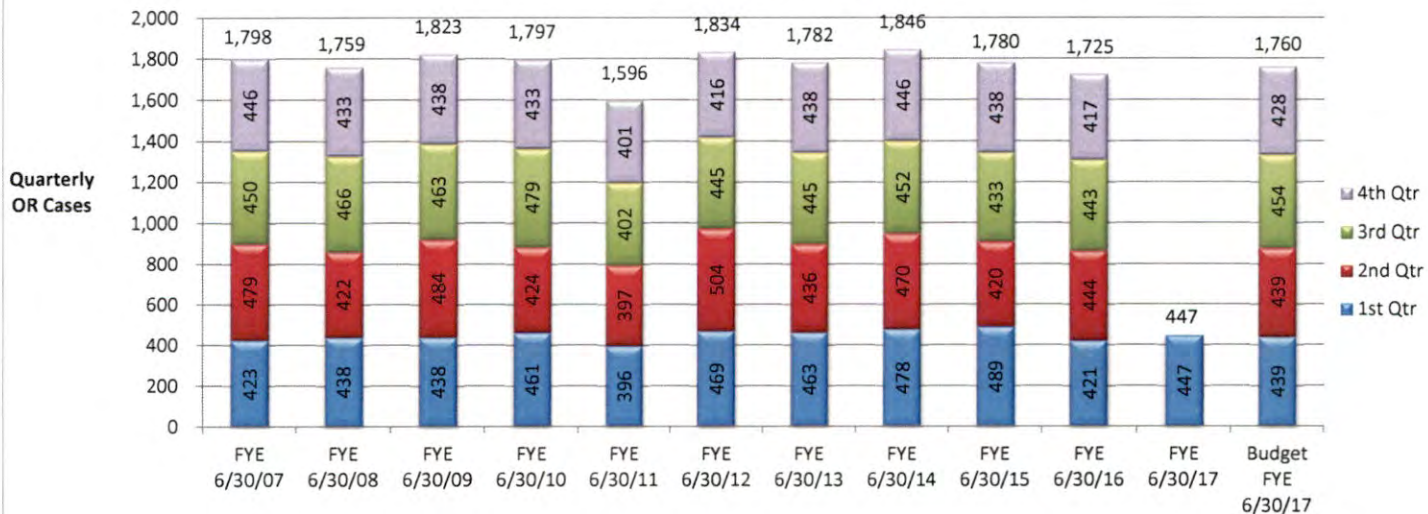
TOTAL TFH INPATIENT OR CASES



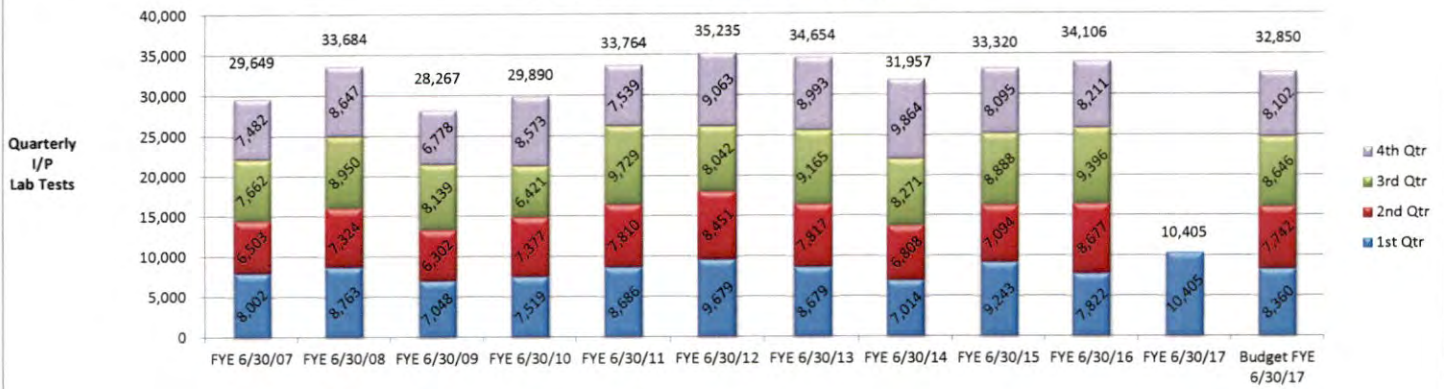
TOTAL TFH OUTPATIENT OR CASES



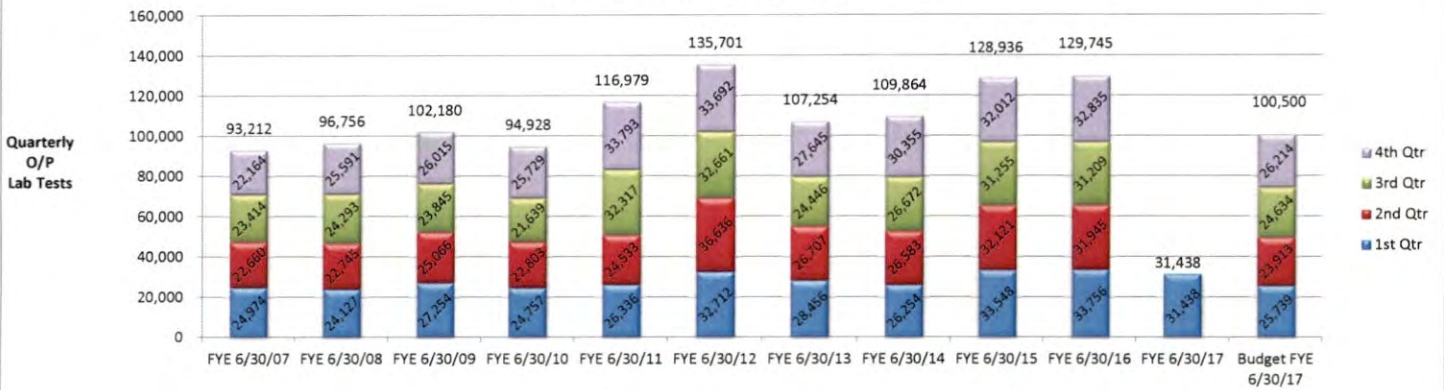
TOTAL TFH OR CASES



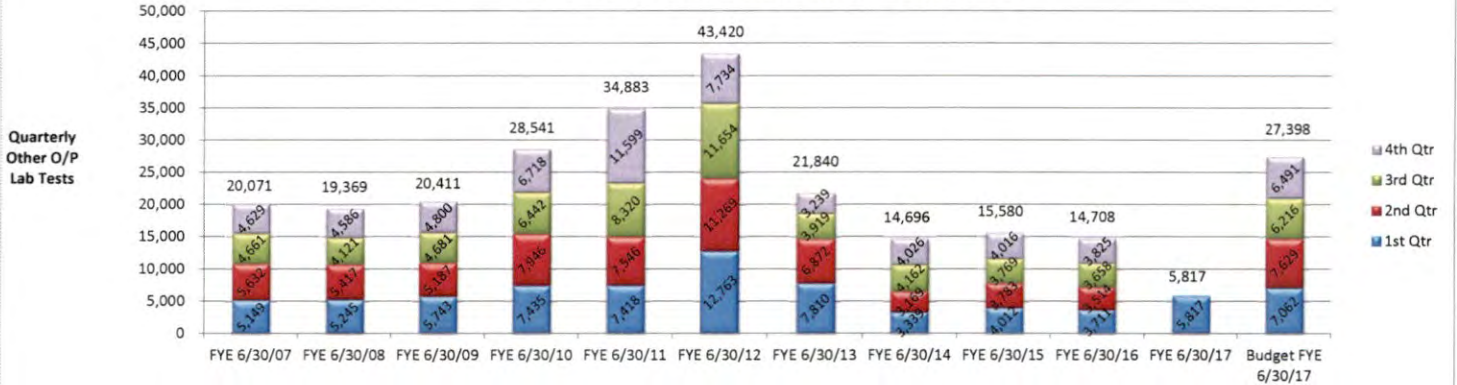
TOTAL TFH INPATIENT LAB TESTS



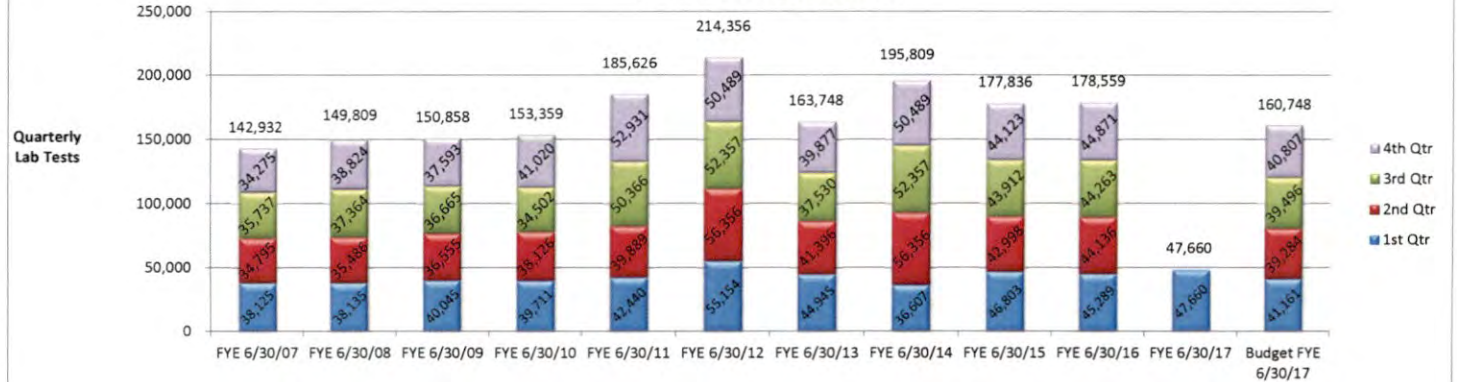
TOTAL TFH OUTPATIENT LAB TESTS



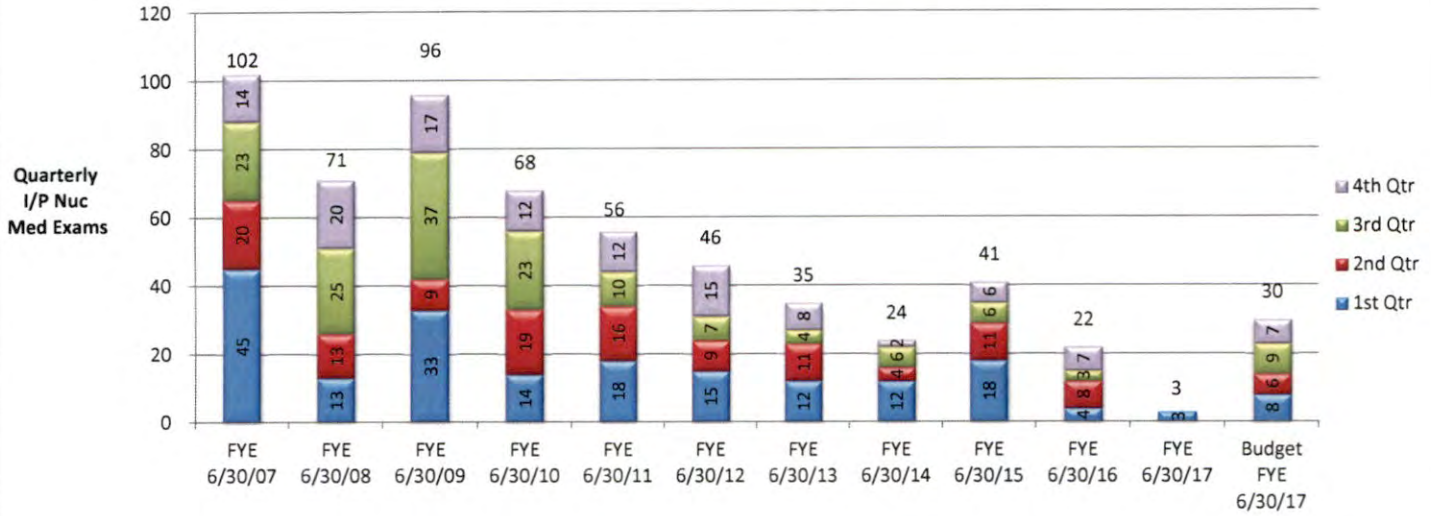
TOTAL TFH OTHER OUTPATIENT LAB TESTS



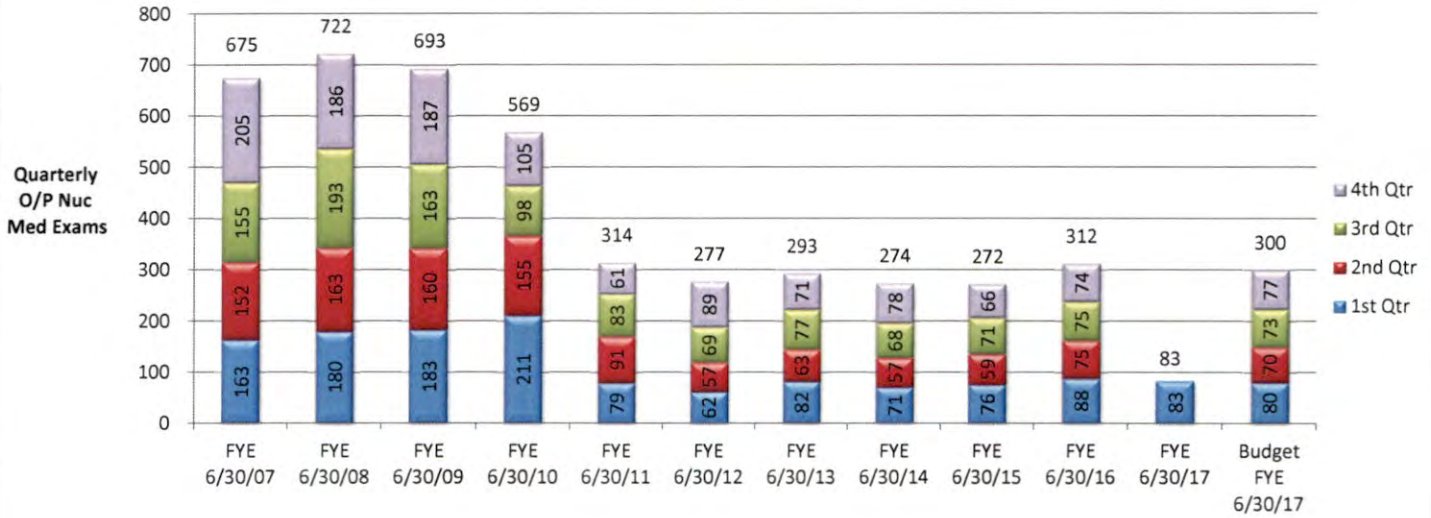
TOTAL TFH LAB TESTS



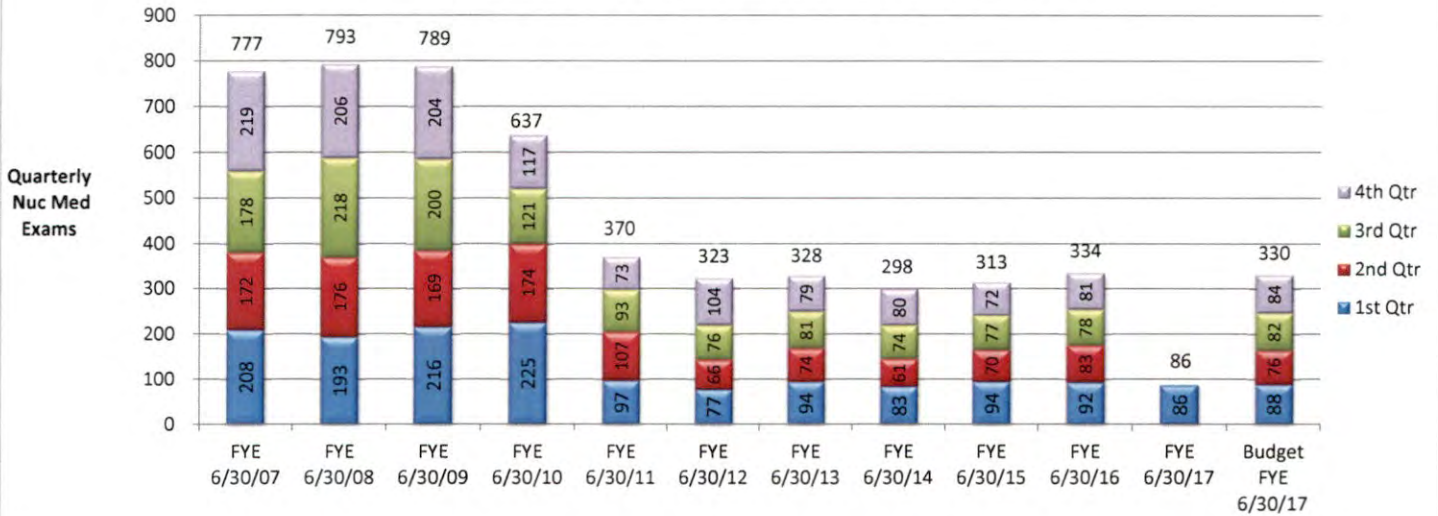
TOTAL TFH NUCLEAR MEDICINE INPATIENT EXAMS



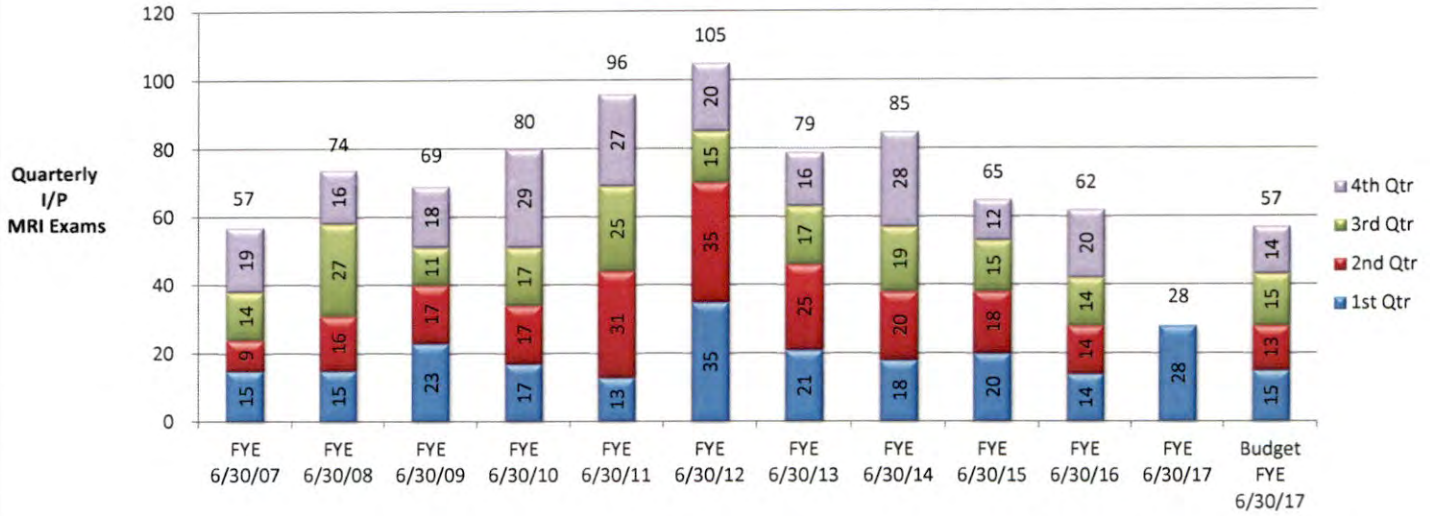
TOTAL TFH NUCLEAR MEDICINE OUTPATIENT EXAMS



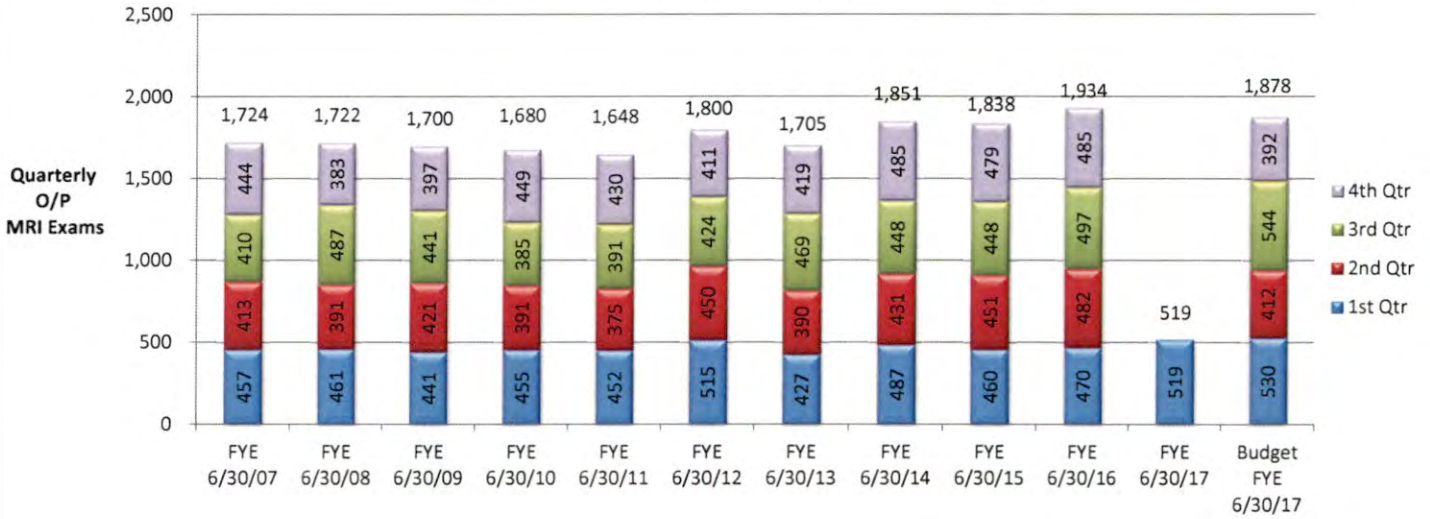
TOTAL TFH NUCLEAR MEDICINE EXAMS



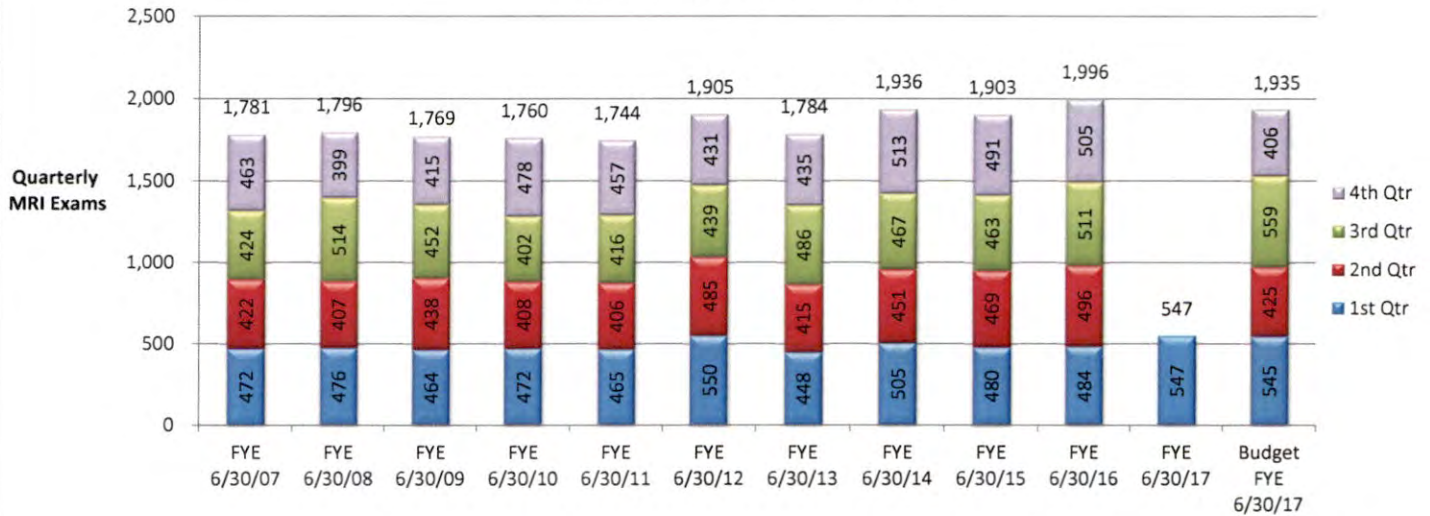
TOTAL TFH MRI INPATIENT EXAMS



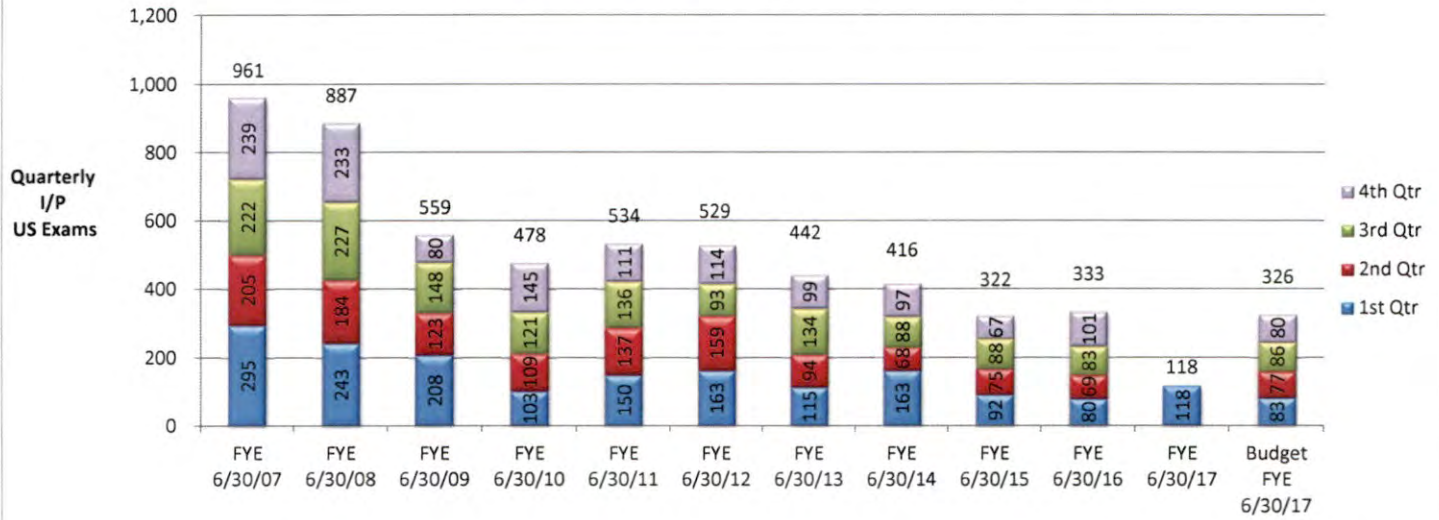
TOTAL TFH MRI OUTPATIENT EXAMS



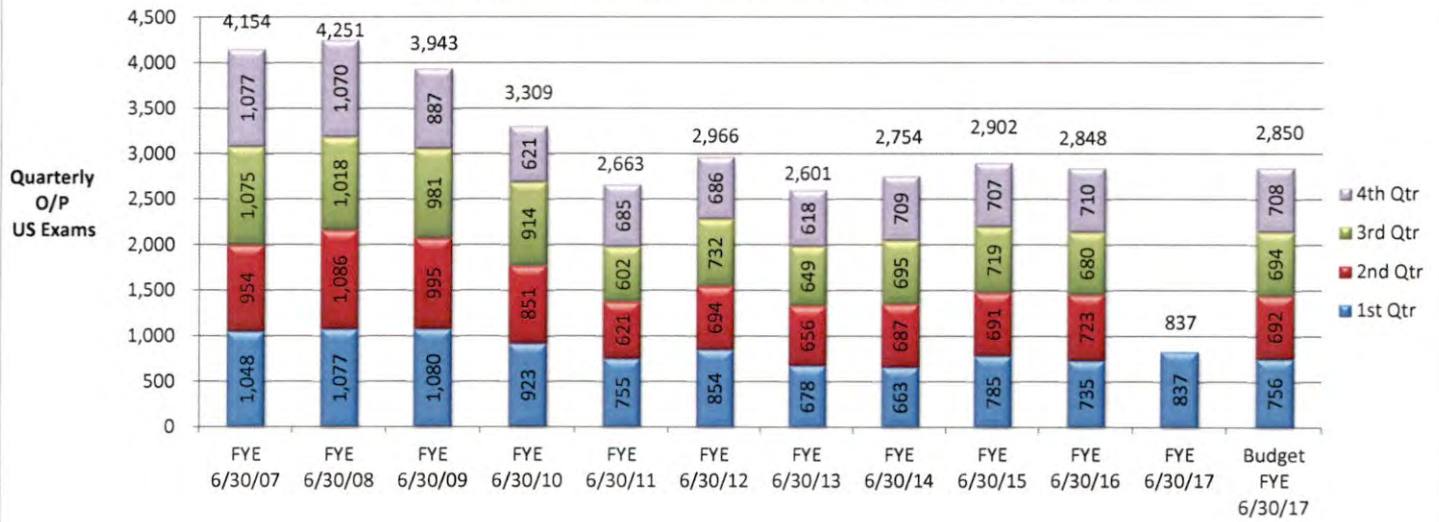
TOTAL TFH MRI EXAMS



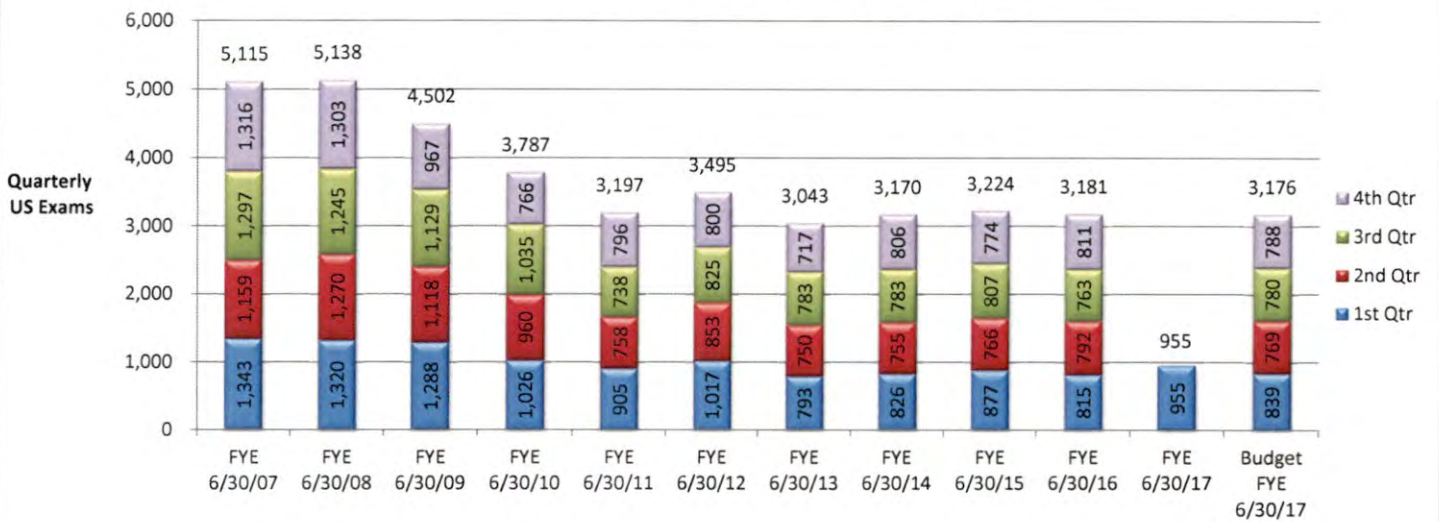
TOTAL TFH ULTRASOUND INPATIENT EXAMS



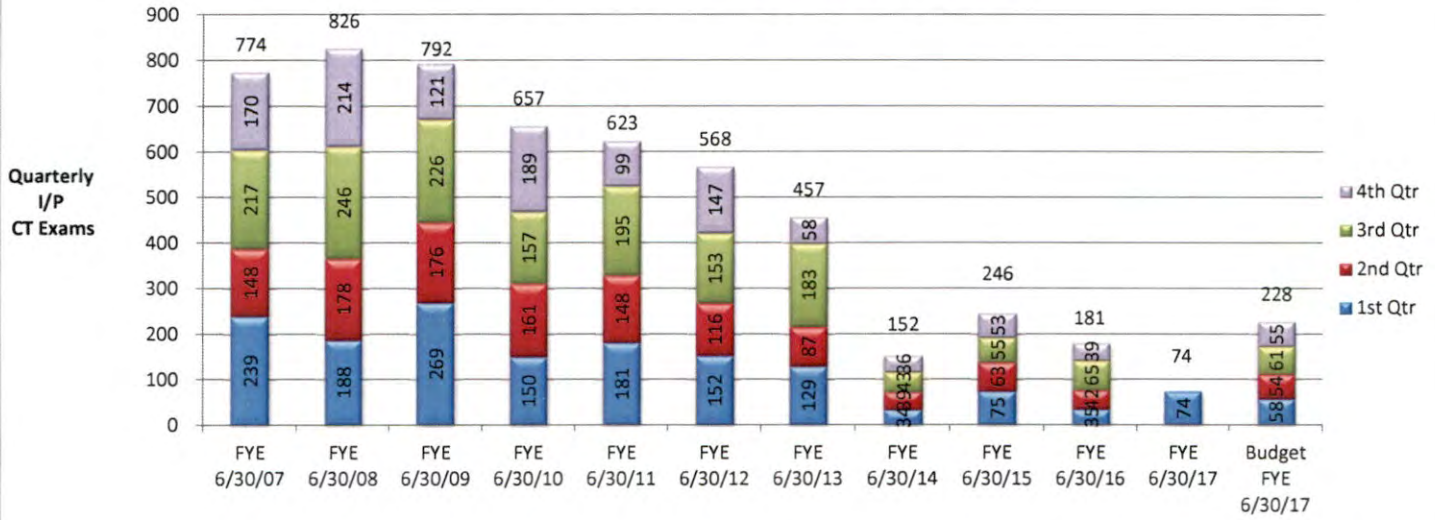
TOTAL TFH ULTRASOUND OUTPATIENT EXAMS



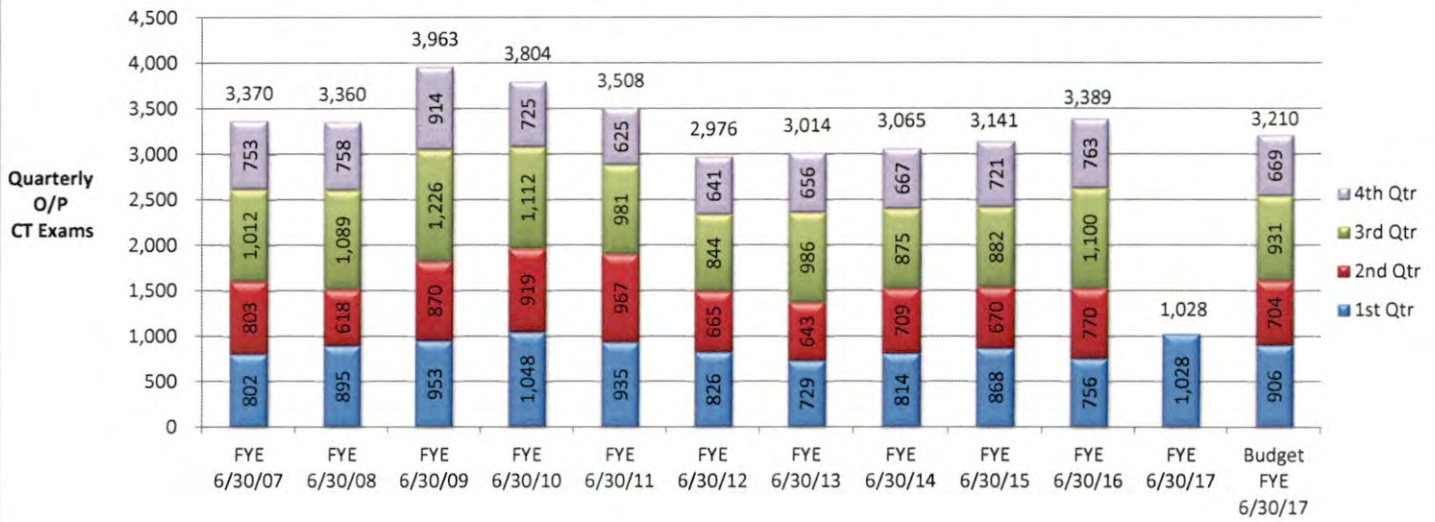
TOTAL TFH ULTRASOUND EXAMS



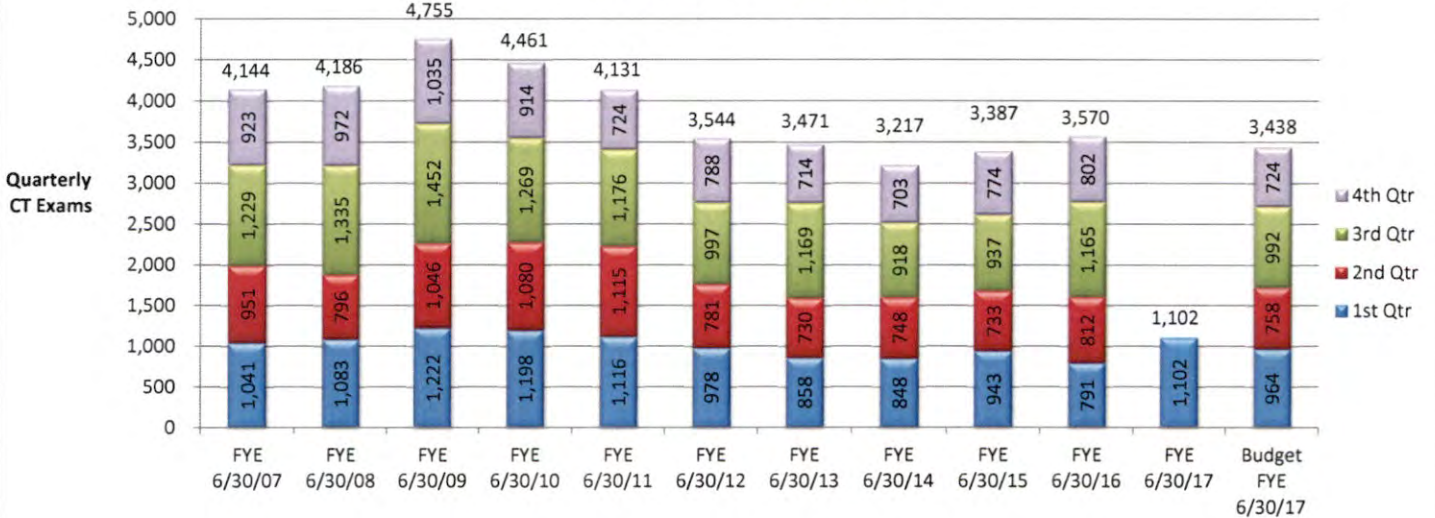
TOTAL TFH CT INPATIENT EXAMS



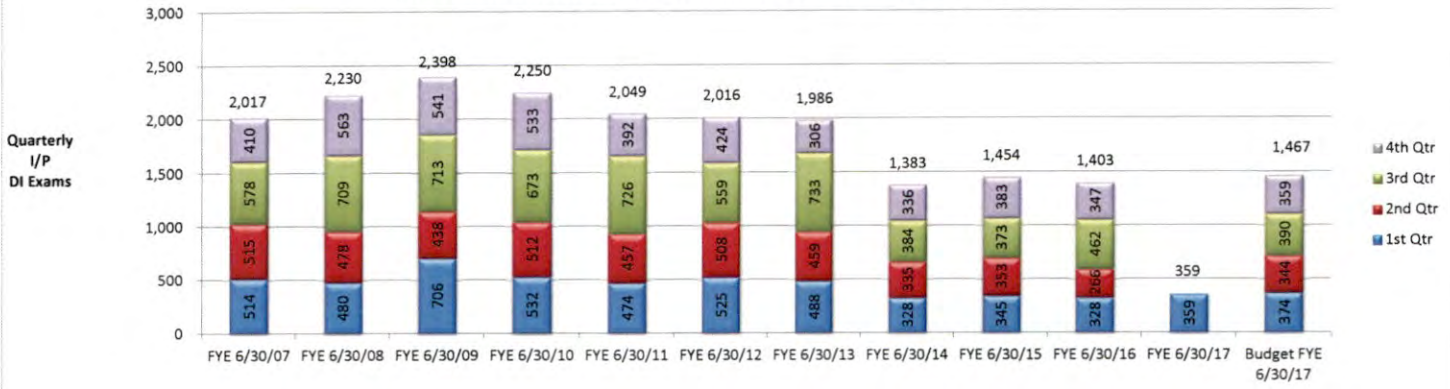
TOTAL TFH CT OUTPATIENT EXAMS



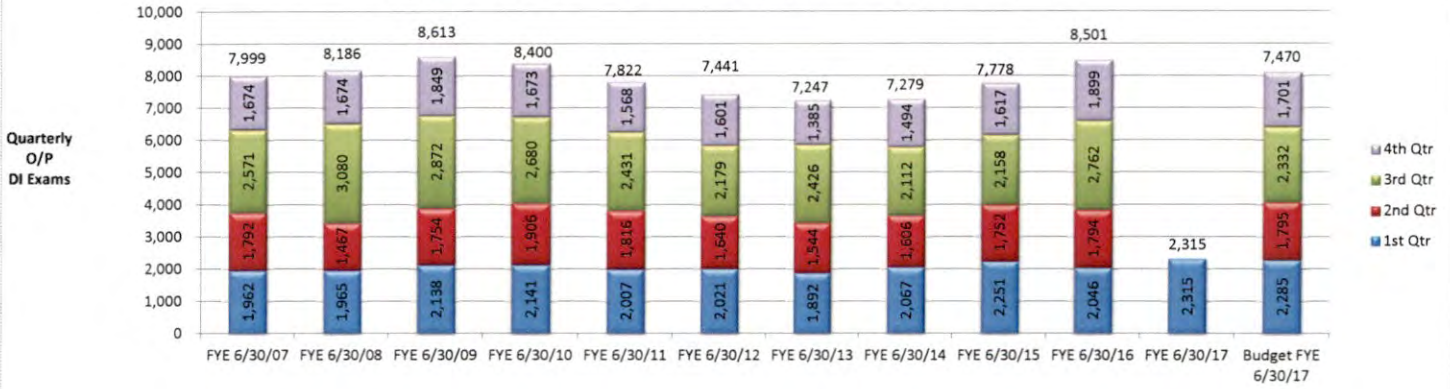
TOTAL TFH CT EXAMS



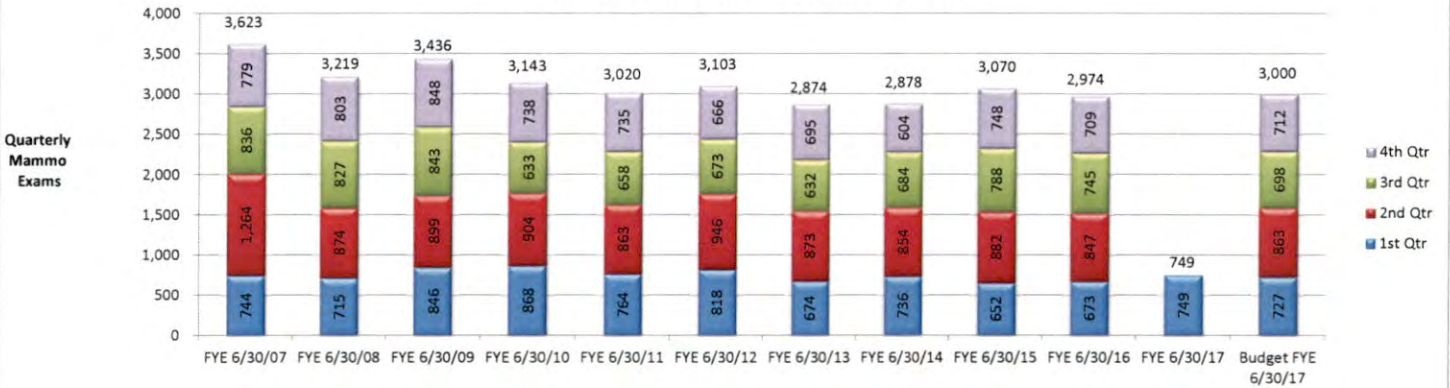
TOTAL TFH INPATIENT DIAGNOSTIC IMAGING EXAMS



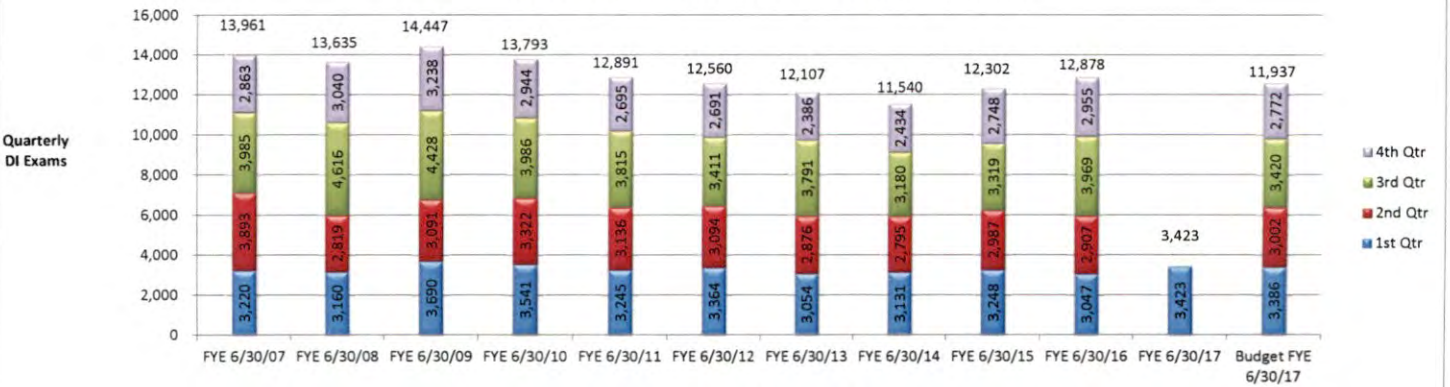
TOTAL TFH OUTPATIENT DIAGNOSTIC IMAGING EXAMS



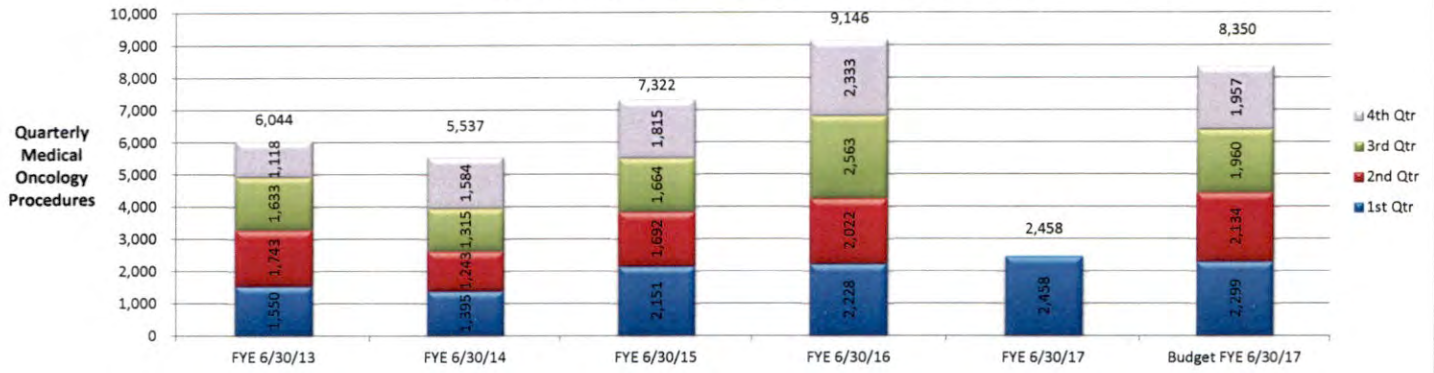
TOTAL TFH MAMMOGRAPHY EXAMS



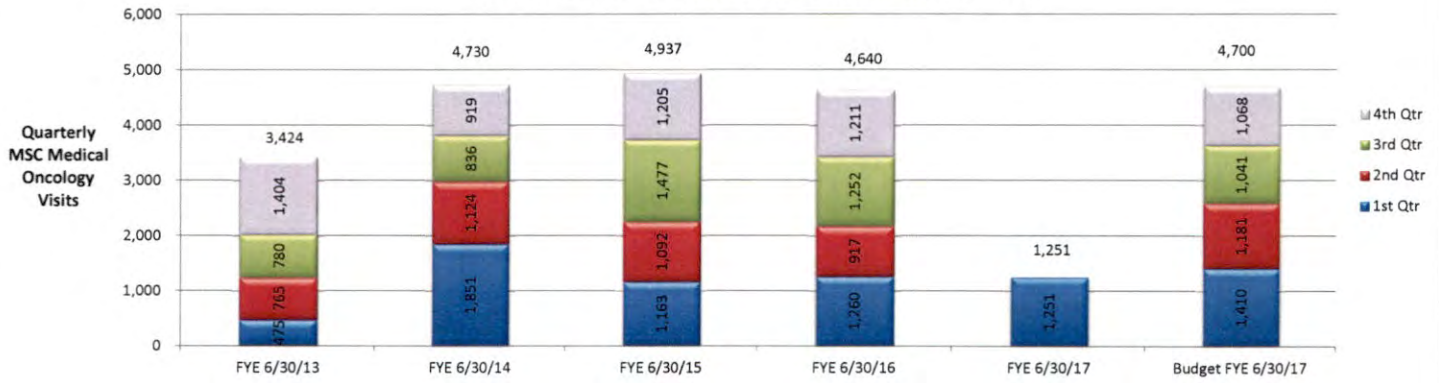
TOTAL TFH DIAGNOSTIC IMAGING EXAMS



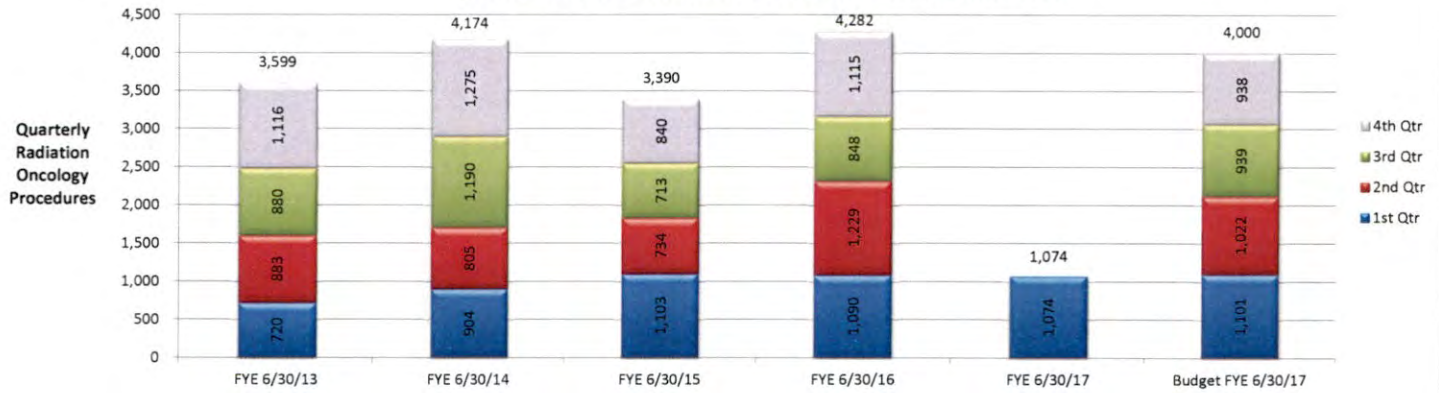
TOTAL TFH MEDICAL ONCOLOGY PROCEDURES



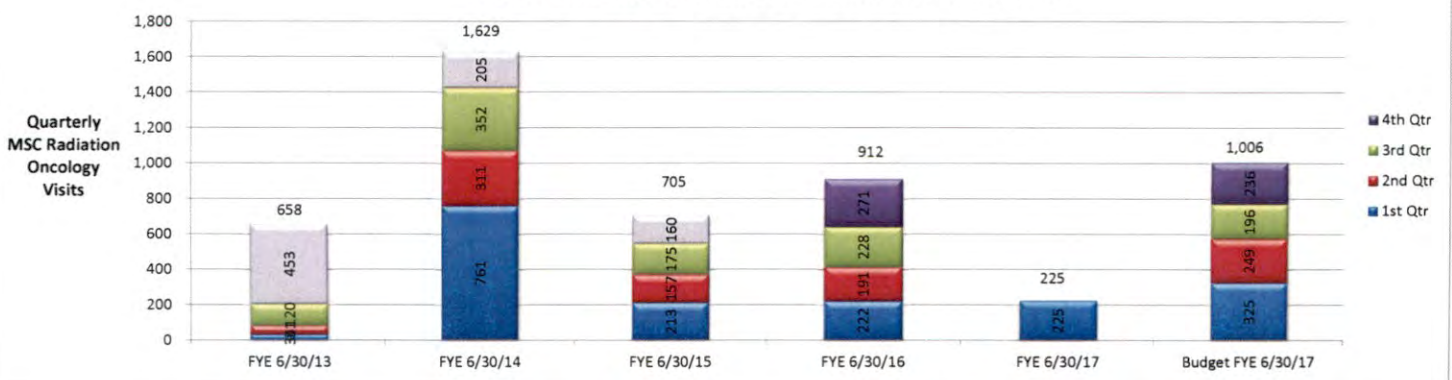
TOTAL TFH MSC MEDICAL ONCOLOGY VISITS



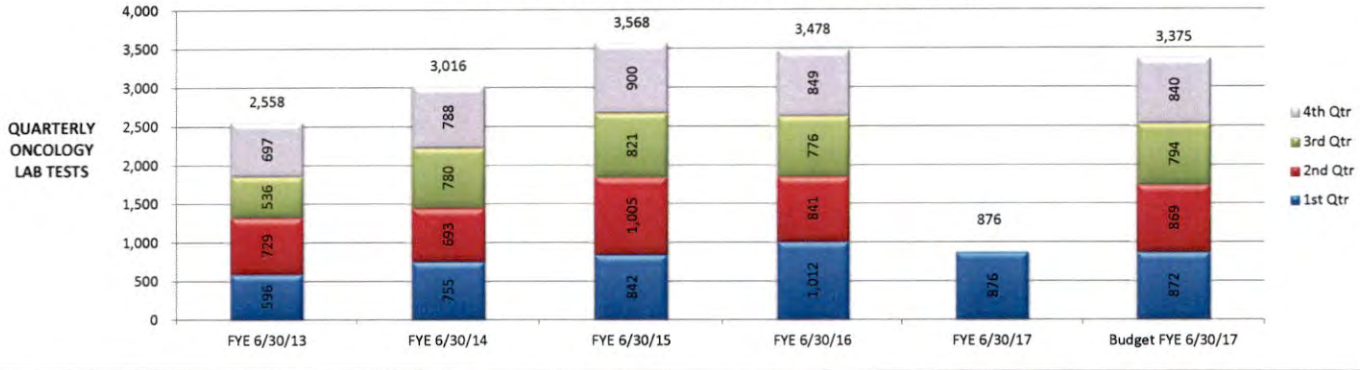
TOTAL TFH RADIATION ONCOLOGY PROCEDURES



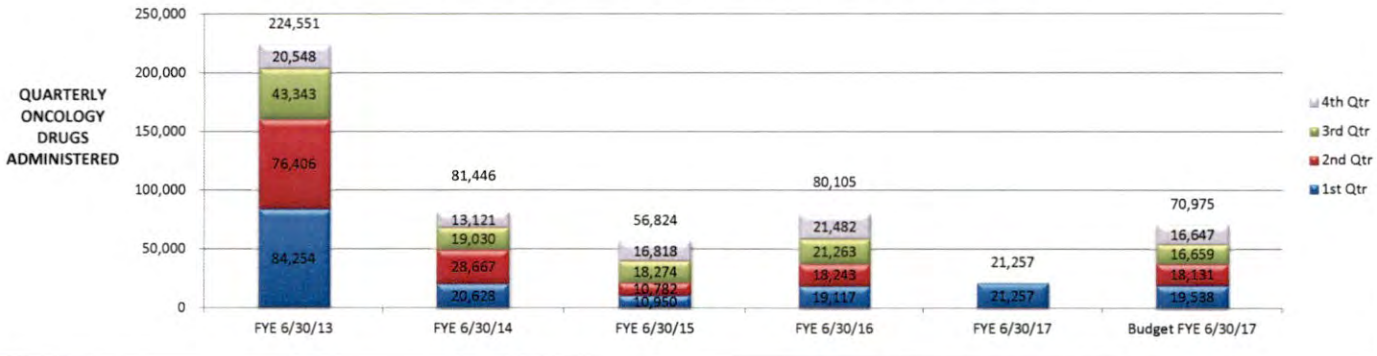
TOTAL TFH MSC RADIATION ONCOLOGY VISITS



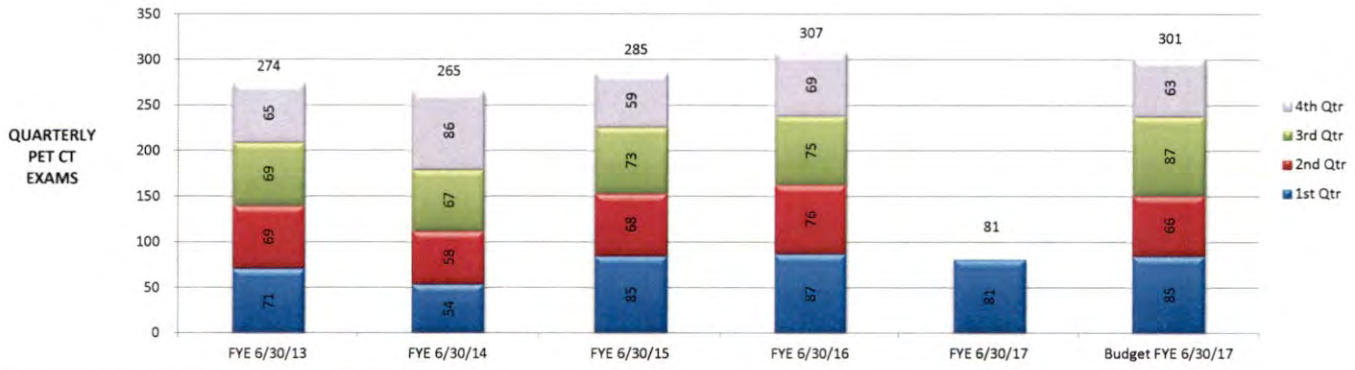
TOTAL TFH ONCOLOGY LABORATORY TESTS



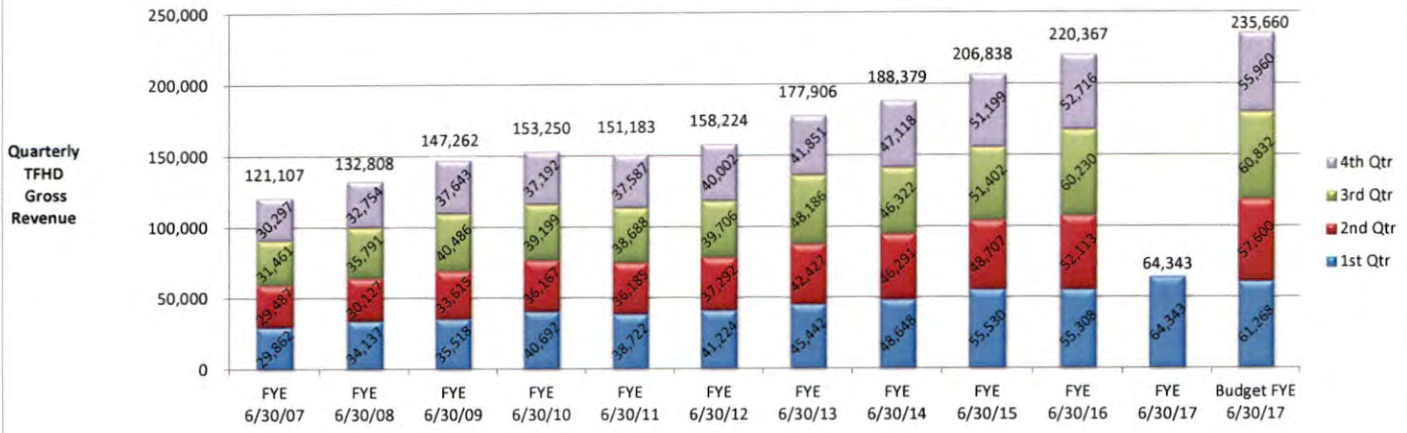
TOTAL TFH ONCOLOGY DRUGS SOLD TO PATIENTS



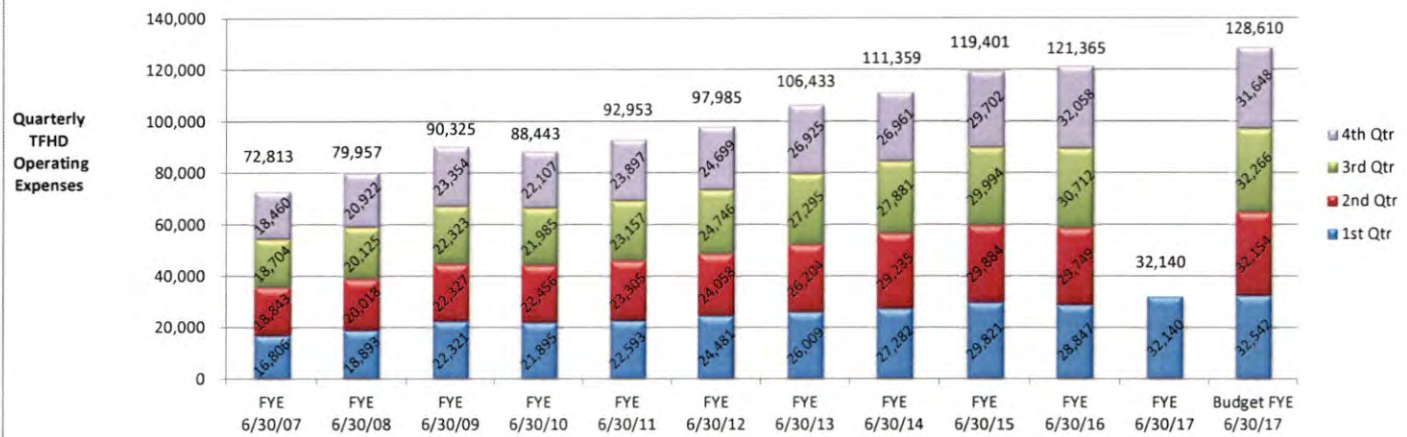
TOTAL TFH PET CT EXAMS



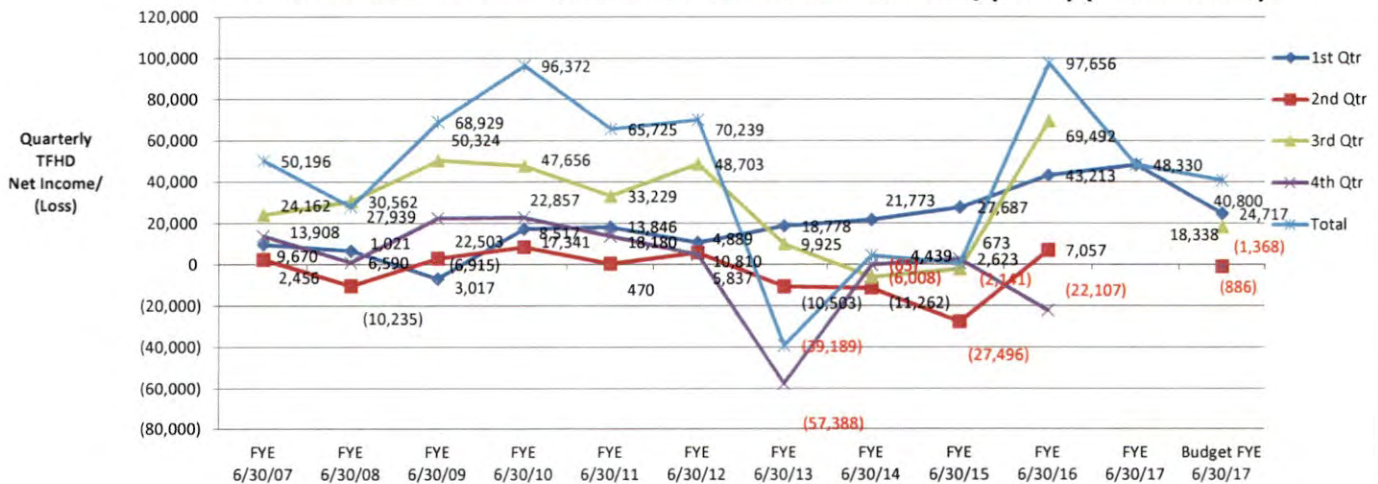
TAHOE FOREST HOSPITAL DISTRICT TOTAL GROSS REVENUE (In Thousands)



TAHOE FOREST HOSPITAL DISTRICT TOTAL OPERATING EXPENSES (In Thousands)



TAHOE FOREST HOSPITAL DISTRICT TOTAL NET INCOME/(LOSS) (In Hundreds)



Incline Village Community Hospital
 Operating Indicators
 Month & YTD June 2017
 September 30, 2016

	YTD Actual	YTD Budget	YTD Variance	YTD % Variance
Admissions	0	3	(3)	-100.00%
Registrations	2,609	2,827	(218)	-7.71%
I/P Days	1	2	(1)	-50.00%
Observation Days	10	8	2	25.00%
Total Days	11	10	1	10.00%
Emergency Visits	1,229	1,169	60	5.13%
<u>Surgical Services:</u>				
Cases - Inpatient	0	0	0	0.00%
Cases - Outpatient	20	24	(4)	-16.67%
Total Cases	20	24	(4)	-16.67%
Minutes	6,245	7,415	(1170)	-15.78%
Laboratory Tests (inc EKG's)	8,879	7,529	1350	17.93%
Radiology - I / P Exams	2	1	1	100.00%
Radiology - O / P Exams	212	202	10	4.95%
Radiology - ER Exams	491	537	(46)	-8.57%
Radiology (inc mammos) Totals	705	740	(35)	-4.73%
CT - I / P Exams	0	0	0	0.00%
CT - O / P Exams (Inc. U/S)	51	39	12	30.77%
CT - ER Exams	226	198	28	14.14%
Total Cat Scan Exams	277	237	40	16.88%
Pharmacy - I/P units	103	34	69	202.94%
Pharmacy - O/P units	2,950	2,722	228	8.38%
Pharmacy Totals	3,053	2,756	297	10.78%
IV's - Inpatient	3	0	3	0.00%
IV's - Outpatient	182	82	100	121.95%
Total IV's	185	82	103	125.61%
RT - I/P Procedures	15	0	15	0.00%
RT - O/P Procedures	437	0	437	0.00%
R/T Totals	452	0	452	0.00%
Sleep Clinic Visits	38	45	(7)	-15.56%
<u>Perioperative Services Minutes</u>				
OR - Inpatients	0	0	0	0.00%
OR - Outpatients	1,955	2,089	(134)	-6.41%
OR - Total	1,955	2,089	(134)	-6.41%
Total ASD	3,703	4,712	(1009)	-21.41%
I/P Recovery	0	0	0	0.00%
O/P Recovery	587	614	(27)	-4.40%
Total Recovery	587	614	(27)	-4.40%
Pain Clinic	0	0	0	0.00%
Procedure Room	0	0	0	0.00%
Total Surgicenter Minutes	6,245	7,415	(1170)	-15.78%
<u>Anesthesia - Minutes</u>				
Inpatient	0	0	0	0.00%
Out Patient	1,911	2,170	(259)	-11.94%
Elsewhere	0	0	0	0.00%
Total Anesthesia - Minutes	1,911	2,170	(259)	-11.94%
<u>Dietary</u>				
Patient Meals	165	222	(57)	-25.68%
Pantries	906	555	351	63.24%
Non-patient Meals	0	0	0	0.00%
Total Meals	1,071	777	294	37.84%
Flu Shots	0	53	(53)	-100.00%
P/T - 42 076	7,424	8,220	(796)	-9.68%
OT - 42 080	259	308	(49)	-15.91%
Diamond Peak - Patients Seen	0	0	0	0.00%
Incline Village Health Clinic	704	400	304	76.00%

**TAHOE FOREST HOSPITAL DISTRICT
SEPARATE BUSINESS ENTERPRISES
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	HOME HEALTH				HOSPICE					
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE)		PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE)		PRIOR YTD SEP 2015
			BUDGET	BUDGET				BUDGET	BUDGET	
Gross Operating Revenue	437,616	553,443	(115,827)	496,025	491,308	507,577	(16,269)	425,895		
Deduction From Rev	225,462	285,136	59,675	281,074	181,745	187,763	6,018	213,920		
Other Operating Revenue	-	-	-	-	-	-	-	-		
Total Operating Revenue	212,154	268,307	(56,152)	214,951	309,563	319,814	(10,251)	211,975		
Operating Expense:										
Salaries	184,895	166,678	(18,217)	161,362	81,158	102,915	21,757	81,619		
Benefits	75,556	75,686	130	74,935	51,222	56,650	5,428	59,283		
Professional Fees	129	125	(4)	129	6,000	6,150	150	4,050		
Supplies	6,329	5,627	(702)	3,716	11,334	11,594	260	11,805		
Purchased Services	16,265	15,405	(860)	12,928	13,631	12,862	(769)	12,176		
Other Expenses	5,296	6,328	1,032	4,813	7,148	11,819	4,672	9,827		
Total Operating Expenses	288,471	269,848	(18,622)	257,884	170,492	201,990	31,498	178,761		
Net Operating Rev (Exp)	(76,316)	(1,542)	(74,775)	(42,933)	139,071	117,824	21,247	33,214		
Non - Operating Rev / (Exp)										
Donations	-	-	-	-	3,893	7,500	(3,608)	2,390		
Thrift Store Net Income	-	-	-	-	127,657	109,154	18,503	148,119		
Employee Benefit - EE Discounts	-	-	-	-	-	-	-	-		
Depreciation	(4,336)	(4,336)	-	(3,181)	(1,129)	(1,129)	-	(1,613)		
Total Non-Operating Rev/(Exp)	(4,336)	(4,336)	-	(3,181)	130,421	115,525	14,896	148,896		
Net Income/(Loss)	(80,652)	(5,878)	(74,775)	(46,114)	269,492	233,349	36,143	182,110		
Units	851	917	(66)	957	1,245	1,054	191	946		
Gross Revenue/Unit	514.24	603.54	(89.30)	518.31	394.62	481.57	(86.95)	450.21		
Total Operating Expense/Unit	338.98	294.27	(44.71)	269.47	136.94	191.64	54.70	188.96		

**TAHOE FOREST HOSPITAL DISTRICT
SEPARATE BUSINESS ENTERPRISES
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	CHILDRENS CENTER				OCCUPATIONAL HEALTH			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	217,959	216,767	1,192	225,720	126,601	130,264	(3,663)	115,797
Deduction From Rev	-	-	-	-	18,834	19,379	545	35,791
Other Operating Revenue	-	-	-	-	-	100	(100)	30
Total Operating Revenue	217,959	216,767	1,192	225,720	107,766	110,985	(3,218)	80,036
Operating Expense:								
Salaries	131,796	111,146	(20,650)	119,667	90,437	45,550	(44,887)	32,359
Benefits	77,902	82,470	4,569	67,525	32,885	18,783	(14,102)	16,698
Professional Fees	-	-	-	-	29,691	31,062	1,371	1,210
Supplies	2,351	5,607	3,256	8,141	23,900	15,615	(8,284)	8,915
Purchased Services	5,932	6,300	368	7,185	19,789	17,253	(2,536)	16,812
Other Expenses	8,369	10,191	1,822	7,875	9,531	11,567	2,036	9,750
Total Operating Expenses	226,350	215,714	(10,635)	210,393	206,234	139,831	(66,403)	85,745
Net Operating Rev (Exp)	(8,391)	1,053	(9,443)	15,326	(98,467)	(28,846)	(69,621)	(5,709)
Non - Operating Rev / (Exp)								
Donations	550	1,250	(700)	-	-	-	-	-
Thrift Store Net Income	-	-	-	-	-	-	-	-
Employee Benefit - EE Discounts	(59,319)	(59,000)	(319)	(59,574)	-	-	-	-
Depreciation	(11,842)	(11,842)	-	(11,976)	-	-	-	-
Total Non-Operating Rev/(Exp)	(70,611)	(69,592)	(1,019)	(71,550)	-	-	-	-
Net Income/(Loss)	(79,001)	(68,539)	(10,462)	(56,224)	(98,467)	(28,846)	(69,621)	(5,709)
Units	5,053	4,690	363	4,863	798	642	156	654
Gross Revenue/Unit	43.13	46.22	(3.08)	46.42	158.65	202.90	-44.26	177.06
Total Operating Expense/Unit	44.80	45.99	1.20	43.26	258.44	217.80	(40.63)	131.11

**TAHOE FOREST HOSPITAL DISTRICT
SEPARATE BUSINESS ENTERPRISES
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	HEALTH CLINIC				RETAIL PHARMACY			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	179,556	160,292	19,264	157,146	863,675	713,238	150,437	625,960
Deduction From Rev	121,717	108,658	(13,059)	99,717	337,158	273,674	(63,484)	196,056
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	57,839	51,634	6,205	57,429	526,517	439,563	86,954	429,904
Operating Expense:								
Salaries	47,612	99,047	51,435	88,672	104,719	100,990	(3,729)	86,988
Benefits	43,093	50,524	7,432	51,702	51,470	45,492	(5,978)	42,920
Professional Fees	-	1,800	1,800	2,400	2,228	378	(1,850)	-
Supplies	16,330	8,049	(8,281)	6,726	494,557	404,158	(90,399)	321,349
Purchased Services	4,202	3,859	(343)	4,578	28,566	18,728	(9,838)	14,700
Other Expenses	6,414	6,011	(403)	5,008	20,250	20,025	(225)	20,423
Total Operating Expenses	117,650	169,291	51,641	159,086	701,791	589,772	(112,019)	486,381
Net Operating Rev (Exp)	(59,811)	(117,657)	57,846	(101,657)	(175,274)	(150,208)	(25,065)	(56,477)
Non - Operating Rev / (Exp)								
Donations	-	-	-	-	-	-	-	-
Thrift Store Net Income	-	-	-	-	-	-	-	-
Employee Benefit - EE Discounts	-	-	-	-	-	-	-	-
Depreciation	(262)	(262)	-	(125)	-	-	-	-
Total Non-Operating Rev/(Exp)	(262)	(262)	-	(125)	-	-	-	-
Net Income/(Loss)	(60,073)	(117,919)	57,846	(101,782)	(175,274)	(150,208)	(25,065)	(56,477)
Units	1,033	898	135	953	7,392	6,776	616	6,143
Gross Revenue/Unit	173.82	178.50	-4.68	164.90	116.84	105.26	11.58	101.90
Total Operating Expense/Unit	113.89	188.52	74.63	166.93	94.94	87.04	(7.90)	79.18

Employee Drug Plan

Plan Costs	(215,623)
Captured through Retail Rx	160,867
Net Plan Costs	(54,756)
Net Operating Income	(175,274)
Net Employee Drug Plan Costs	(54,756)
Net Financial Position	(230,029)

**TAHOE FOREST HOSPITAL DISTRICT
SEPARATE BUSINESS ENTERPRISES
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	TOTAL SEPARATE BUSINESS ENTITIES			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	2,316,715	2,281,580	35,135	2,046,542
Deduction From Rev	884,915	874,610	(10,305)	826,558
Other Operating Revenue	-	100	(100)	30
Total Operating Revenue	1,431,800	1,407,070	24,730	1,220,014
Operating Expense:				
Salaries	640,617	626,325	(14,292)	570,668
Benefits	332,128	329,606	(2,522)	313,063
Professional Fees	38,048	39,515	1,467	7,789
Supplies	554,801	450,651	(104,150)	360,653
Purchased Services	88,385	74,407	(13,978)	68,380
Other Expenses	57,008	65,942	8,934	57,697
Total Operating Expenses	1,710,987	1,586,446	(124,541)	1,378,250
Net Operating Rev (Exp)	(279,187)	(179,376)	(99,811)	(158,236)
Non - Operating Rev / (Exp)				
Donations	4,443	8,750	(4,308)	2,390
Thrift Store Net Income	127,657	109,154	18,503	148,119
Employee Benefit - EE Discounts	(59,319)	(59,000)	(319)	(59,574)
Depreciation	(17,569)	(17,569)	-	(16,895)
Total Non-Operating Rev/(Exp)	55,212	41,335	13,877	74,039
Net Income/(Loss)	(223,975)	(138,041)	(85,934)	(84,196)
Units	16,372	14,977	1,395	14,516
Gross Revenue/Unit	141.50	152.34	(10.83)	140.99
Total Operating Expense/Unit	104.51	105.93	(1.42)	94.95

**TAHOE FOREST HOSPITAL DISTRICT
CENTER FOR HEALTH AND SPORTS PERFORMANCE
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	THERAPY SERVICES				SPORTS PERFORMANCE LAB					
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE)		PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE)		PRIOR YTD SEP 2015
			BUDGET	BUDGET				BUDGET	BUDGET	
Gross Operating Revenue	\$ 1,324,602	\$ 1,209,867	\$ 114,735	\$ 1,158,343	\$ 3,375	\$ 8,069	\$ (4,694)	\$ 13,496		
Deduction From Rev	438,443	400,466	(37,977)	383,521	-	-	-	-		
Other Operating Revenue	485	350	135	330	-	-	-	-		
Total Operating Revenue	\$ 886,644	\$ 809,751	\$ 76,893	\$ 775,152	\$ 3,375	\$ 8,069	\$ (4,694)	\$ 13,496		
Operating Expense:										
Salaries		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 880	
Benefits	954	999	45	-	-	-	-	-	195	
Professional Fees	492,089	463,996	(28,094)	446,281	-	-	-	-	-	
Supplies	9,397	10,489	1,092	10,997	-	34	34	-	-	
Purchased Services	3,722	12,326	8,605	17,726	-	4,390	4,390	-	3,385	
Other Expenses	-	812	812	511	-	-	-	-	-	
Total Operating Expenses	\$ 506,162	\$ 488,623	\$ (17,539)	\$ 475,516	\$ -	\$ 4,424	\$ 4,424	\$ 4,460		
Net Operating Rev (Exp)	\$ 380,482	\$ 321,128	\$ 59,354	\$ 299,637	\$ 3,375	\$ 3,645	\$ (270)	\$ 9,036		
Non - Operating Rev / (Exp)										
Donations		-	-	-	-	-	-	-	-	
Depreciation	(1,226)	(1,226)	-	(1,201)	-	-	-	-	-	
Total Non-Operating Rev/(Exp)	(1,226)	(1,226)	-	(1,201)	-	-	-	-	-	
Net Income/(Loss)	\$ 379,256	\$ 319,902	\$ 59,354	\$ 298,436	\$ 3,375	\$ 3,645	\$ (270)	\$ 9,036		
Overhead Allocation Based on Sq Ft	\$ (54,943)	\$ (54,581)	(362)	(52,230)	\$ (15,135)	\$ (15,036)	(100)	\$ (14,388)		
Adjusted Net Income/(Loss)	\$ 324,313	\$ 265,321	\$ 58,992	\$ 246,206	\$ (11,760)	\$ (11,390)	\$ (370)	\$ (5,352)		
Units	14,397	15,164	(767)	14,969	128	68	\$ 60	\$ 83		
Gross Revenue/Unit	\$ 92.01	\$ 79.79	\$ 12.22	\$ 77.38	\$ 26.37	\$ 118.66	\$ (92.30)	\$ 162.61		
Total Operating Expense/Unit	\$ 38.97	\$ 35.82	\$ (3.15)	\$ 35.26	\$ 118.24	\$ 286.17	\$ 167.92	\$ 227.09		

**TAHOE FOREST HOSPITAL DISTRICT
CENTER FOR HEALTH AND SPORTS PERFORMANCE
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	FITNESS CENTER				HP/EDUCATION/WELLNESS			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	\$ 35,284	\$ 43,875	\$ (8,591)	\$ 36,636	\$ 4,217	\$ 4,275	\$ (58)	\$ 4,034
Deduction From Rev	-	-	-	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	\$ 35,284	\$ 43,875	\$ (8,591)	\$ 36,636	\$ 4,217	\$ 4,275	\$ (58)	\$ 4,034
Operating Expense:								
Salaries	\$ 3,064	\$ -	\$ (3,064)	\$ -	\$ 2,834	\$ 27,193	\$ 24,358	\$ 6,593
Benefits	234	-	(234)	-	10,405	16,649	6,243	1,842
Professional Fees	-	-	-	-	-	-	-	-
Supplies	113	711	598	870	2,165	1,178	(987)	1,289
Purchased Services	26,203	13,190	(13,013)	35,934	81	3,437	3,356	3,884
Other Expenses	-	-	-	-	1,739	2,186	447	882
Total Operating Expenses	\$ 29,615	\$ 13,901	\$ (15,714)	\$ 36,804	\$ 17,225	\$ 50,642	\$ 33,417	\$ 14,490
Net Operating Rev (Exp)	\$ 5,669	\$ 29,974	\$ (24,305)	\$ (168)	\$ (13,008)	\$ (46,367)	\$ 33,359	\$ (10,456)
Non - Operating Rev / (Exp)								
Donations	-	-	-	-	-	-	-	-
Depreciation	(709)	(709)	-	(921)	-	-	-	-
Total Non-Operating Rev/(Exp)	(709)	(709)	-	(921)	-	-	-	-
Net Income/(Loss)	\$ 4,960	\$ 29,264	\$ (24,305)	\$ (1,089)	\$ (13,008)	\$ (46,367)	\$ 33,359	\$ (10,456)
Overhead Allocation Based on Sq Ft	\$ (29,131)	\$ (28,939)	(192)	(27,692)	\$ (42,087)	\$ (41,810)	(277)	(40,009)
Adjusted Net Income/(Loss)	\$ (24,171)	\$ 325	\$ (24,496)	\$ (28,782)	\$ (55,095)	\$ (88,177)	\$ 33,082	\$ (50,465)
Units	453	586	(133)	571	387	355	32	333
Gross Revenue/Unit	\$ 77.89	\$ 74.87	\$ 3.02	\$ 64.16	\$ 10.90	\$ 12.04	\$ (1.15)	\$ 12.11
Total Operating Expense/Unit	\$ 129.68	\$ 73.11	\$ (56.58)	\$ 112.95	\$ 153.26	\$ 260.43	\$ 107.17	\$ 163.66

**TAHOE FOREST HOSPITAL DISTRICT
CENTER FOR HEALTH AND SPORTS PERFORMANCE
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	OCCUPATIONAL HEALTH TESTING				CENTER OPERATIONS			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	\$ 16,321	\$ 28,750	\$ (12,429)	\$ 12,554	\$ -	\$ -	\$ -	\$ -
Deduction From Rev	-	-	-	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	\$ 16,321	\$ 28,750	\$ (12,429)	\$ 12,554	\$ -	\$ -	\$ -	\$ -
<u>Operating Expense:</u>								
Salaries	\$ 45,384	\$ 19,261	\$ (26,123)	\$ 3,518	\$ -	\$ -	\$ -	\$ -
Benefits	14,549	7,997	(6,552)	2,629	-	-	-	(82)
Professional Fees	-	-	-	-	15,188	15,000	(188)	7,100
Supplies	-	23	23	150	652	313	(340)	262
Purchased Services	3,690	1,952	(1,738)	5,280	7,456	6,240	(1,216)	5,761
Other Expenses	-	9	9	-	92,125	90,900	(1,225)	91,561
Total Operating Expenses	\$ 63,622	\$ 29,242	\$ (34,380)	\$ 11,577	\$ 115,420	\$ 112,452	\$ (2,968)	\$ 104,602
Net Operating Rev (Exp)	\$ (47,301)	\$ (492)	\$ (46,809)	\$ 977	\$ (115,420)	\$ (112,452)	\$ (2,968)	\$ (104,602)
<u>Non - Operating Rev / (Exp)</u>								
Donations	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	(36,220)	(38,190)	1,970	(39,468)
Total Non-Operating Rev/(Exp)	-	-	-	-	(36,220)	(38,190)	1,970	(39,468)
Net Income/(Loss)	\$ (47,301)	\$ (492)	\$ (46,809)	\$ 977	\$ (151,641)	\$ (150,643)	\$ (998)	\$ (144,070)
Overhead Allocation Based on Sq Ft	\$ -	\$ -	\$ -	\$ -	\$ 141,296	\$ 140,366	930	\$ 134,319
Adjusted Net Income/(Loss)	\$ (47,301)	\$ (492)	\$ (46,809)	\$ 977	\$ (10,345)	\$ (10,277)	(68)	\$ (9,752)
Units	208	122	86	175				
Gross Revenue/Unit	\$ 78.47	\$ 235.66	\$ (157.19)	\$ 71.74				
Total Operating Expense/Unit	\$ 305.88	\$ 239.69	\$ (66.19)	\$ 66.16				

**TAHOE FOREST HOSPITAL DISTRICT
CENTER FOR HEALTH AND SPORTS PERFORMANCE
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	<u>TOTAL CENTER FOR HEALTH & SPORTS PERFORMANCE</u>			
	\$ VARIANCE			
	ACTUAL	BUDGET	(UNFAVORABLE/ FAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	\$ 1,383,800	\$ 1,294,836	\$ 88,964	\$ 1,225,063
Deduction From Rev	438,443	400,466	(37,977)	383,521
Other Operating Revenue	485	350	135	330
Total Operating Revenue	\$ 945,842	\$ 894,720	\$ 51,122	\$ 841,873
<u>Operating Expense:</u>				
Salaries	\$ 51,282	\$ 46,453	\$ (4,829)	\$ 10,991
Benefits	26,143	25,645	(498)	4,584
Professional Fees	507,277	478,996	(28,281)	453,381
Supplies	12,327	12,749	421	13,569
Purchased Services	41,152	41,535	383	71,971
Other Expenses	93,864	93,907	43	92,954
Total Operating Expenses	\$ 732,045	\$ 699,284	\$ (32,760)	\$ 647,450
Net Operating Rev (Exp)	\$ 213,797	\$ 195,436	\$ 18,361	\$ 194,423
<u>Non - Operating Rev / (Exp)</u>				
Donations	-	-	-	-
Depreciation	(38,156)	(40,126)	1,970	(41,591)
Total Non-Operating Rev/(Exp)	(38,156)	(40,126)	1,970	(41,591)
Net Income/(Loss)	\$ 175,641	\$ 155,310	\$ 20,331	\$ 152,832
Overhead Allocation Based on Sq Ft	-	-	-	-
Adjusted Net Income/(Loss)	\$ 175,641	\$ 155,310	\$ 20,331	\$ 152,832
Units	15,573	16,295	(722)	16,131
Gross Revenue/Unit	\$ 88.86	\$ 79.46	\$ 9.40	\$ 75.94
Total Operating Expense/Unit	\$ 47.01	\$ 42.91	\$ (4.09)	\$ 40.14

**TAHOE FOREST HOSPITAL DISTRICT
CANCER PROGRAM
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	MEDICAL ONCOLOGY				MSC MEDICAL ONCOLOGY			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	793,896	719,457	74,439	689,599	301,513	303,334	(1,821)	238,104
Deduction From Rev	360,065	326,304	(33,761)	305,473	168,306	169,322	1,017	98,542
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	433,831	393,153	40,678	384,126	133,207	134,012	(805)	139,562
Operating Expense:								
Salaries	392,185	389,220	(2,966)	328,146	-	-	-	-
Benefits	164,190	176,207	12,017	148,918	-	-	-	-
Professional Fees	56,565	52,800	(3,765)	56,594	300,980	308,551	7,572	214,656
Supplies	35,906	35,410	(496)	26,360	3,762	7,122	3,360	2,908
Purchased Services	39,581	63,863	24,282	51,098	7,126	7,506	381	16,742
Other Expenses	53,285	75,041	21,756	72,118	-	-	-	-
Total Operating Expenses	741,712	792,540	50,828	683,233	311,868	323,180	11,312	234,306
Net Operating Rev (Exp)	(307,881)	(399,387)	91,506	(299,107)	(178,660)	(189,168)	10,507	(94,744)
Non - Operating Rev / (Exp)								
Donations	30,171	54,500	(24,329)	42,725	-	-	-	-
Depreciation	(40,777)	(40,777)	-	(29,950)	(84)	(84)	-	(84)
Total Non-Operating Rev/(Exp)	(10,606)	13,723	(24,329)	12,775	(84)	(84)	-	(84)
Net Income/(Loss)	(318,487)	(385,664)	67,177	(286,333)	(178,744)	(189,252)	10,507	(94,828)
Units	2,458	2,299	159	2,228	1,251	1,410	(159)	1,260
Gross Revenue/Unit	322.98	312.94	10.04	309.51	241.02	215.13	25.89	188.97
Total Operating Expense/Unit	301.75	344.73	42.98	306.66	249.29	229.21	(20.09)	185.96

**TAHOE FOREST HOSPITAL DISTRICT
CANCER PROGRAM
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	RADIATION ONCOLOGY				MSC RADIATION ONCOLOGY			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	1,976,820	1,490,225	486,595	1,322,852	259,477	327,306	(67,829)	241,409
Deduction From Rev	925,157	697,430	(227,728)	498,223	144,719	182,549	37,830	77,714
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	1,051,663	792,796	258,867	824,629	114,758	144,757	(29,999)	163,695
Operating Expense:								
Salaries	184,950	173,861	(11,089)	184,942	-	-	-	-
Benefits	36,687	42,478	5,791	56,008	-	-	-	-
Professional Fees	11,016	7,600	(3,416)	47,039	189,169	173,473	(15,697)	132,094
Supplies	701	3,970	3,269	4,701	-	-	-	-
Purchased Services	89,211	91,440	2,229	103,324	-	-	-	-
Other Expenses	1,100	2,725	1,625	5,025	-	-	-	-
Total Operating Expenses	323,665	322,074	(1,591)	401,038	189,169	173,473	(15,697)	132,094
Net Operating Rev (Exp)	727,998	470,721	257,276	423,591	(74,411)	(28,716)	(45,695)	31,601
Non - Operating Rev / (Exp)								
Donations	-	-	-	-	-	-	-	-
Depreciation	(153,910)	(153,910)	-	(150,793)	(84)	(84)	-	(84)
Total Non-Operating Rev/(Exp)	(153,910)	(153,910)	-	(150,793)	(84)	(84)	-	(84)
Net Income/(Loss)	574,087	316,811	257,276	272,799	(74,495)	(28,800)	(45,695)	31,517
Units	1,074	1,101	(27)	1,090	225	325	(100)	222
Gross Revenue/Unit	1,840.61	1,353.52	487.09	1,213.63	1,153.23	1,007.10	146.14	1,087.43
Total Operating Expense/Unit	301.36	292.53	-8.84	367.92	840.75	533.76	(306.99)	595.02

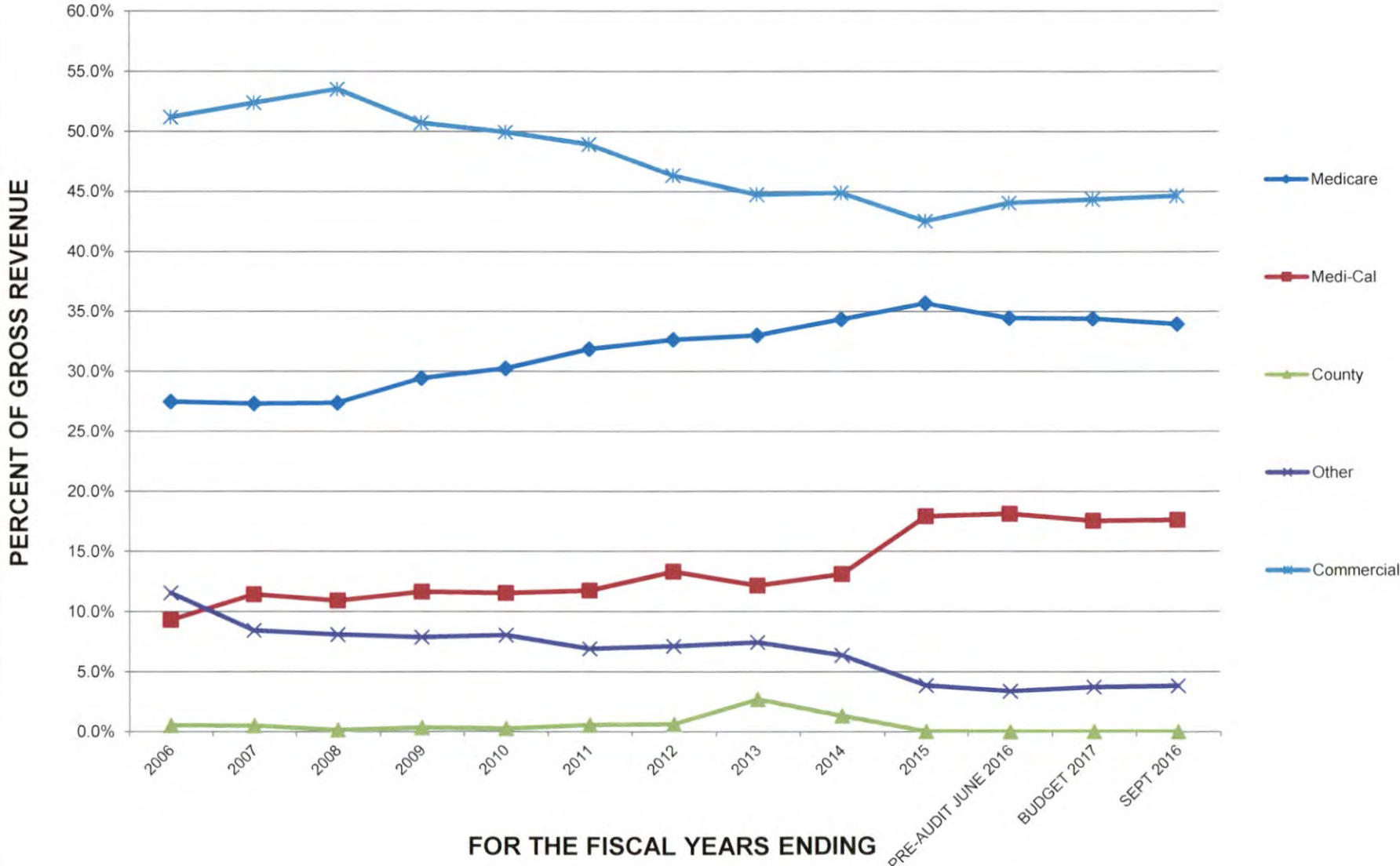
**TAHOE FOREST HOSPITAL DISTRICT
CANCER PROGRAM
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	ONCOLOGY LAB				ONCOLOGY DRUGS			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	0	70,620	(70,620)	72,424	7,005,363	6,485,009	520,354	6,547,043
Deduction From Rev	-	-	-	31,291	2,510,087	2,323,640	(186,448)	2,974,674
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	0	70,620	(70,620)	41,133	4,495,275	4,161,369	333,906	3,572,369
Operating Expense:								
Salaries	30,353	25,834	(4,519)	28,848	-	-	-	-
Benefits	12,765	11,344	(1,420)	11,650	-	-	-	-
Professional Fees	-	-	-	-	-	-	-	-
Supplies	114	188	74	188	1,721,860	1,655,008	(66,852)	1,562,849
Purchased Services	-	-	-	-	-	-	-	-
Other Expenses	-	450	450	1,681	-	-	-	-
Total Operating Expenses	43,233	37,817	(5,416)	42,367	1,721,860	1,655,008	(66,852)	1,562,849
Net Operating Rev (Exp)	(43,233)	32,803	(76,036)	(1,234)	2,773,415	2,506,361	267,054	2,009,520
Non - Operating Rev / (Exp)								
Donations	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Total Non-Operating Rev/(Exp)	-	-	-	-	-	-	-	-
Net Income/(Loss)	(43,233)	32,803	(76,036)	(1,234)	2,773,415	2,506,361	267,054	2,009,520
Units	876	872	4	1,012	21,257	19,538	1,719	18,988
Gross Revenue/Unit	0.00	80.99	(80.99)	71.57	329.56	331.92	-2.36	344.80
Total Operating Expense/Unit	49.35	43.37	-5.98	41.86	81.00	84.71	3.71	82.31

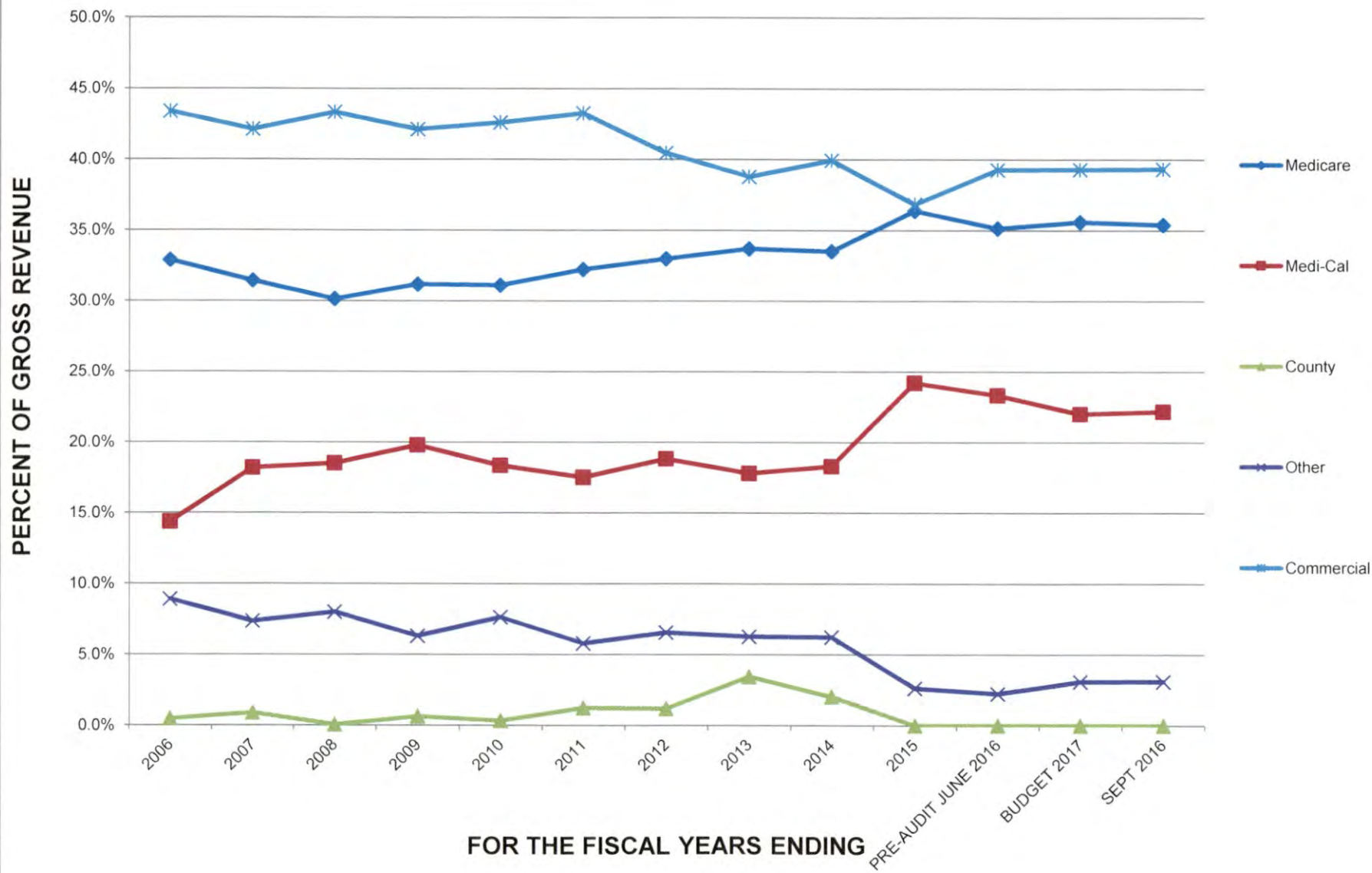
**TAHOE FOREST HOSPITAL DISTRICT
CANCER PROGRAM
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016**

	PET CT				TOTAL CANCER PROGRAM			
	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015	ACTUAL	BUDGET	\$ VARIANCE FAVORABLE/ (UNFAVORABLE) BUDGET	PRIOR YTD SEP 2015
Gross Operating Revenue	398,525	415,869	(17,344)	413,511	10,735,594	9,811,820	923,774	9,524,942
Deduction From Rev	168,582	175,919	7,337	196,427	4,276,916	3,875,163	401,753	4,182,343
Other Operating Revenue	-	-	-	-	-	-	-	-
Total Operating Revenue	229,943	239,950	(10,007)	217,084	6,458,678	5,936,657	522,021	5,342,599
Operating Expense:								
Salaries	7,812	15,083	7,271	13,004	615,301	603,998	11,302	554,940
Benefits	3,079	4,145	1,066	3,455	216,721	234,174	(17,453)	220,031
Professional Fees	710	710	1	-	558,440	543,134	15,306	450,383
Supplies	3,564	14,612	11,048	10,091	1,765,908	1,716,310	49,598	1,607,096
Purchased Services	47,179	46,909	(270)	46,314	183,097	209,719	(26,622)	217,478
Other Expenses	-	551	551	540	54,385	78,767	(24,382)	79,364
Total Operating Expenses	62,345	82,011	19,666	73,404	3,393,851	3,386,102	(7,749)	3,129,292
Net Operating Rev (Exp)	167,598	157,940	9,659	143,680	3,064,827	2,550,555	514,272	2,213,307
Non - Operating Rev / (Exp)								
Donations	-	-	-	-	30,171	54,500	(24,329)	42,725
Depreciation	(109,090)	(109,090)	-	(109,090)	(478,579)	(478,579)	-	(465,228)
Total Non-Operating Rev/(Exp)	(109,090)	(109,090)	-	(109,090)	(448,409)	(424,079)	(24,329)	(422,503)
Net Income/(Loss)	58,509	48,850	9,659	34,590	2,616,418	2,126,476	489,942	1,790,804
Units	81	85	(4)	87	27,222	25,630	1,592	24,887
Gross Revenue/Unit	4,920.06	4,892.57	27.49	4,753.00	394.37	382.83	11.55	382.73
Total Operating Expense/Unit	769.69	964.83	195.14	843.73	124.67	132.11	7.44	125.74

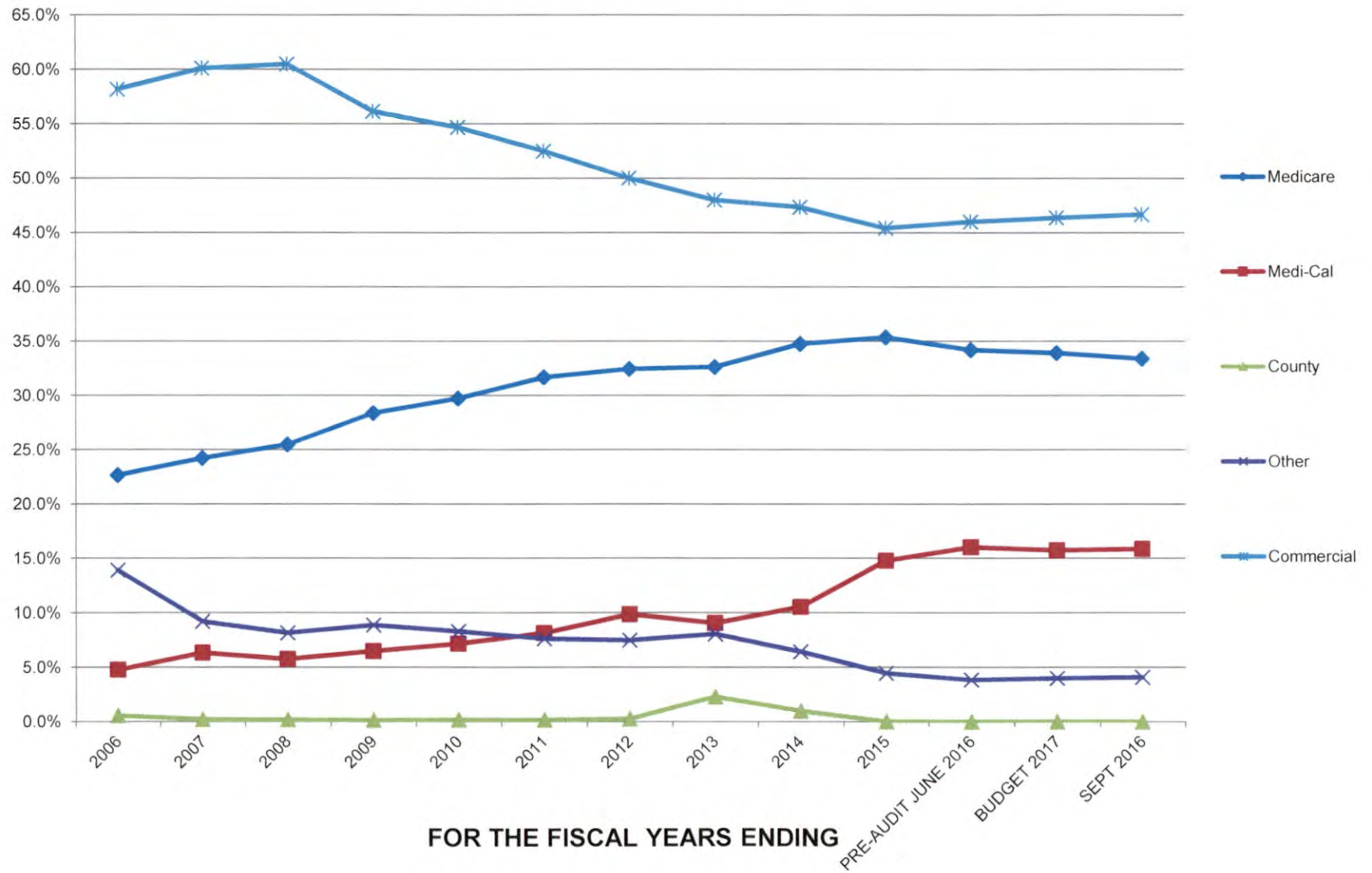
GROSS REVENUE PAYOR MIX TRENDING



INPATIENT REVENUE PAYOR MIX TRENDING

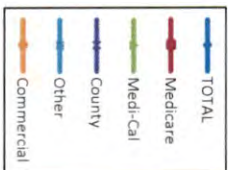
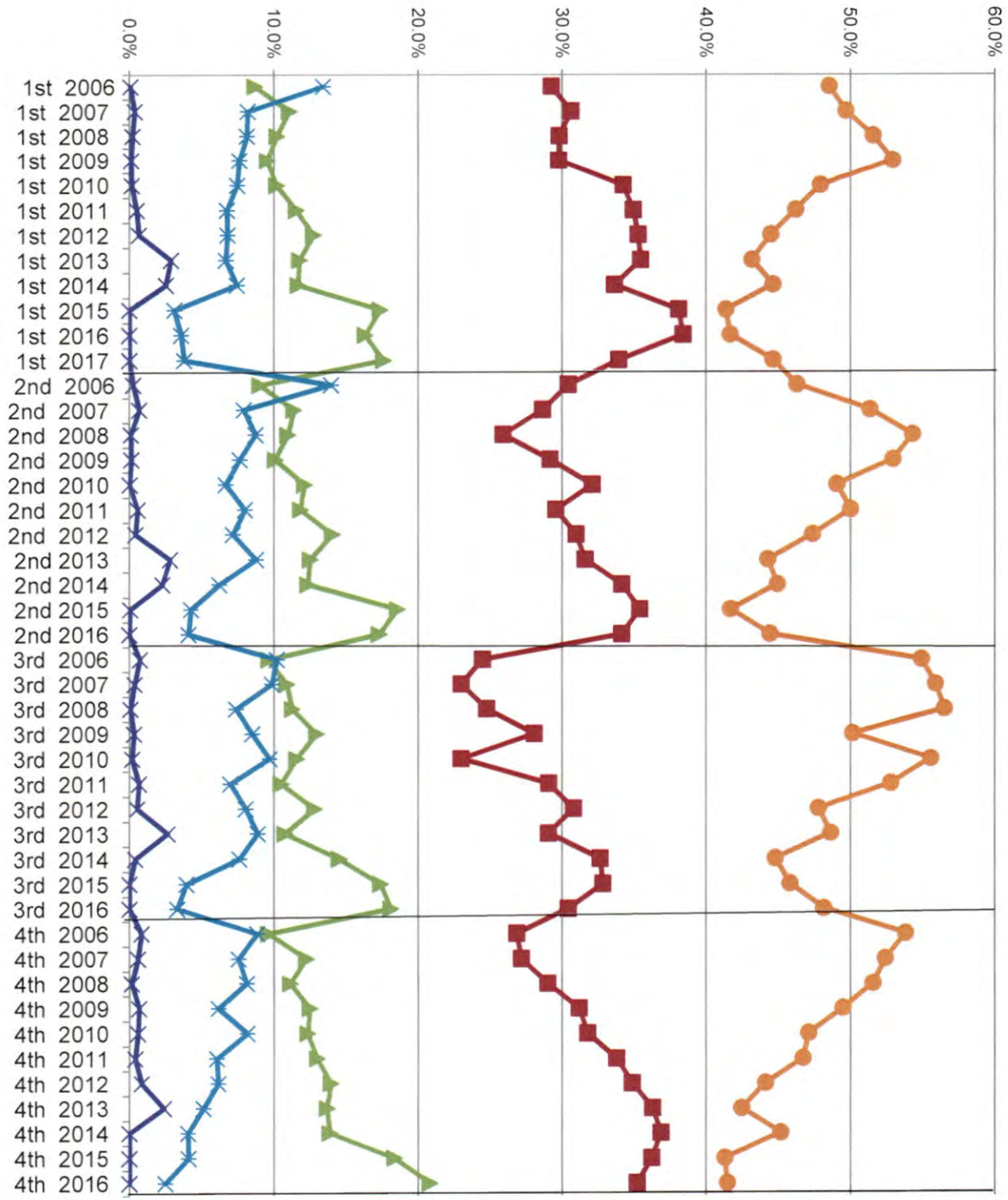


OUTPATIENT REVENUE PAYOR MIX TRENDING

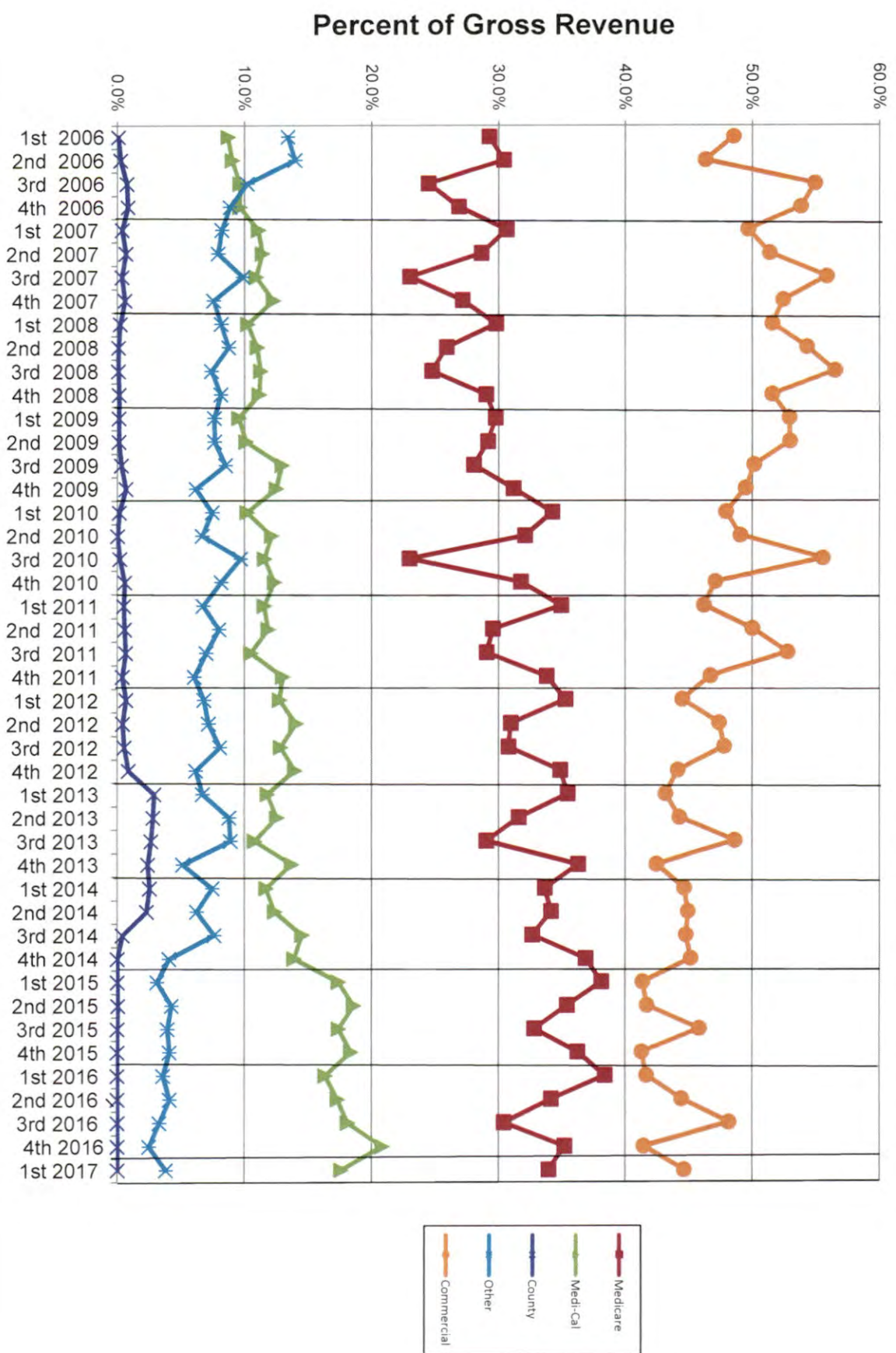


Percent of Gross Revenue

Total Quarterly Percent of Gross Revenue by Payor



Total Quarterly Percent of Gross Revenue By Payor by Fiscal Year



TAHOE INSTITUTE FOR RURAL HEALTH RESEARCH
EXPENDITURE REPORT

	AS OF SEPTEMBER 2016				PRELIMINARY FY2016	AUDITED FY2015	ACTUAL FY2014	ACTUAL FY2013	ACTUAL FY2012	ACTUAL FY2011
	ACTUAL	BUDGET	VAR\$	VAR%						
OPERATING EXPENSES										
Salaries and Wages	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	\$ 16,518	\$ 22,142	\$ 20,860
Benefits	-	-	-	0.0%	-	-	-	7,550	5,586	5,372
Benefits Workers Compensation	-	-	-	0.0%	-	-	-	551	350	531
Benefits Medical Insurance	-	-	-	0.0%	-	-	-	3,662	4,317	2,752
Professional Fees	61,880	-	(61,880)	0.0%	338,264	406,761	524,544	297,311	161,339	78,688
Supplies	220	-	(220)	0.0%	6,083	2,108	28,462	5,806	1,059	1,961
Purchased Services	29,998	-	(29,998)	0.0%	35,248	22,828	18,868	2,600	1,500	-
Other	927	-	(927)	0.0%	162,378	101,408	160,597	230,932	104,828	4,730
Interest Expense	34,665	-	(34,665)	0.0%	123,986	92,855	61,147	32,059	13,351	2,519
TOTAL OPERATING EXPENSE	\$ 127,689	\$ -	\$ (127,689)	0.0%	\$ 665,959	\$ 625,960	\$ 793,618	\$ 596,989	\$ 314,471	\$ 117,413
GRANT REIMBURSEMENT FOR TBI EXPENSES	\$ (42,408)	\$ -	42,408	0.0%	\$ (107,720)	\$ (120,514)	\$ (111,627)	\$ (21,987)	\$ (23,624)	\$ (1,250)
TOTAL FUNDS ADVANCED TO TIRHR	\$ (85,281)	\$ -	\$ 85,281	0.0%	\$ (558,239)	\$ (505,446)	\$ (681,991)	\$ (575,002)	\$ (290,847)	\$ (116,163)
	-	-	-		-	-	-	-	-	-

CUMULATIVE:

Letter of Credit	\$ 2,506,000	N1
FY2011 Actual Draw Against Letter of Credit	(113,644)	
FY2012 Actual Draw Against Letter of Credit	(277,496)	
FY2013 Actual Draw Against Letter of Credit	(542,943)	
FY2014 Actual Draw Against Letter of Credit	(620,844)	
FY2015 Actual Draw Against Letter of Credit	(412,591)	
FY2016 Actual Draw Against Letter of Credit	(434,253)	
FY2017 Actual Draw Against Letter of Credit	(50,616)	
Balance on Letter of Credit	\$ 53,613	

**N1: Draws against the Letter of Credit are exclusive of
Accrued Interest Expense**

Tahoe Forest Hospital District

Truckee, California

**COMBINED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

June 30, 2016 and 2015

DRAFT

Tahoe Forest Hospital District

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June 30, 2016 and 2015

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DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tahoe Forest Hospital District
Truckee, California

We have audited the accompanying combined financial statements of Tahoe Forest Hospital District, a California political subdivision (the District), which comprise the combined statements of net position as of June 30, 2016 and 2015; the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended; and the related notes to the financial statements, to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

The District's management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the combined 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 District'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 combined financial statements.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial statements of the District as of June 30, 2016 and 2015, and the results in its operations, changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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.

DATE

Chico, California

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary information)

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis is organized to present only the Tahoe Forest Hospital District (the District) as a financial whole, and does not include either Tahoe Forest Health System Foundation (TFHSF) or Incline Village Community Hospital Foundation (IVCHF). The combined financial statements then proceed to provide an increasingly detailed look at specific financial activities of all entities, inclusive of TFHSF and IVCHF. Readers should also review the accompanying notes to the combined financial statements to enhance their understanding of the District's financial performance as a whole.

The statements of net position, the statements of revenues, expenses, and changes in net position and statements of cash flows provide an indication of the District's financial health. The statements of net position include all of the District's assets, deferred outflows of resources, and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants, donor restrictions, or other purposes. The statements of revenues, expenses, and changes in net position report all of the revenues, expenses, increases and decreases in net position during the time period indicated that resulted from the District's operating and non-operating transactions and capital contributions during the year. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources such as investment income, repayment of bonds, and capital additions and improvements.

FINANCIAL HIGHLIGHTS (TFHD ONLY)

- Total assets increased \$13.6 million in 2016. Total cash and cash equivalents increased \$1.2 million in 2016. Net patient accounts receivable decreased \$1.6 million. Days net patient service revenue in net patient accounts receivable decreased to 45.6 days at June 30, 2016. Capital assets increased \$7.1 million. Assets Limited as to Use – Net increased by \$4.7 million.
- Deferred Outflow of Resources increased \$5.0 million.
- Total liabilities increased \$6.5 million, current liabilities increased \$4.5 million, and noncurrent liabilities increased \$2.0 million.
- The increase in net position for 2016 was \$12.1 million.

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT

The District's net position increased \$2.1 million from a year ago to \$111.5 million. Table 1 provides a summary of the District's net position for 2016 and 2015.

Table 1
SUMMARY OF ASSETS, LIABILITIES, AND NET POSITION
(In thousands)

June 30	2016	2015
Assets		
Current assets	\$ 41,906	\$ 39,532
Assets limited as to use - net	62,516	57,840
Capital assets - net	158,612	151,485
Other assets	294	842
Total Assets	263,328	249,699
Total Deferred Outflows of Resources	9,243	4,231
Liabilities		
Current liabilities	25,415	20,964
Noncurrent liabilities	135,631	133,571
Total Liabilities	161,046	154,535
Net Position		
Unrestricted	78,098	62,255
Net investment in capital assets	32,287	36,059
Restricted by donor for specific uses	1,140	1,081
Total Net Position	\$ 111,525	\$ 99,395

In 2016, the District's cash and investments position increased \$5.9 million.

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 2
SUMMARY OF CASH AND INVESTMENTS
(In thousands)

June 30	2016	2015
Account		
Cash and cash equivalents and short-term investments	\$ 12,744	\$ 11,497
Board designated fund	55,889	40,731
Specific purpose fund	2,122	3,382
Workers' compensation fund	16	13
Unexpended capital bond fund	6,144	15,432
Total Available Cash and Investments	\$ 76,915	\$ 71,055

The District maintains sufficient cash balances to cover all short-term liabilities. All excess cash is transferred to the Board designated funds for future needs. Cash and cash equivalents and short-term investments combined with Board designated funds increased by a total of \$16.4 million. An increase in our cash position was primarily due to an increase in our net position, as well as a decrease in our patient accounts receivable. The unexpended capital bond fund shows a decrease of \$9.3 million over the prior year due to the expenditure of project funds directly related to capital asset projects approved as part of the general obligation bonds (Measure C).

CAPITAL ASSETS - NET

Net capital assets increased \$7.1 million to \$158.6 million at June 30, 2016. This increase resulted from \$21.2 million in capital additions offset by \$10.4 million in depreciation, and \$3.7 million of asset transfers from construction in progress. The capital additions include \$6.6 million in equipment, building and land improvements (of which \$3.7 million were transfers from construction in progress), and \$14.6 million in construction in progress. Major capital additions during the year included equipment for imaging and respiratory therapy, an upgrade to our lab system, a new human resources/payroll system, investment in our computer information systems network, software upgrades, construction for projects related to Measure C on the Tahoe Forest Hospital campus, a new chiller for our Incline Village facility, and construction projects related to our Incline Village facility.

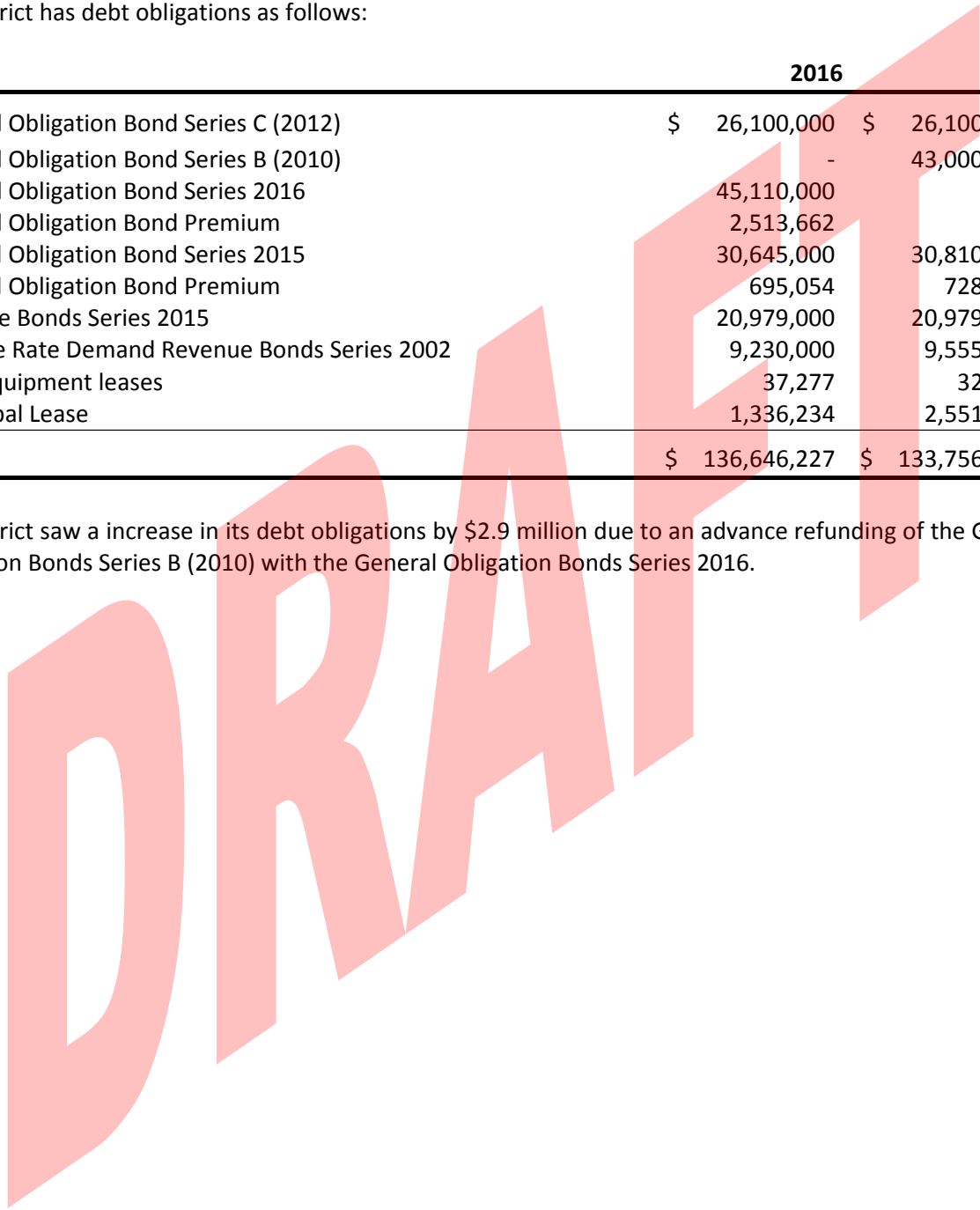
Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

DEBT ADMINISTRATION

The District has debt obligations as follows:

June 30	2016	2015
General Obligation Bond Series C (2012)	\$ 26,100,000	\$ 26,100,000
General Obligation Bond Series B (2010)	-	43,000,000
General Obligation Bond Series 2016	45,110,000	-
General Obligation Bond Premium	2,513,662	-
General Obligation Bond Series 2015	30,645,000	30,810,000
General Obligation Bond Premium	695,054	728,152
Revenue Bonds Series 2015	20,979,000	20,979,000
Variable Rate Demand Revenue Bonds Series 2002	9,230,000	9,555,000
Bank equipment leases	37,277	32,677
Municipal Lease	1,336,234	2,551,645
Totals	\$ 136,646,227	\$ 133,756,474

The District saw a increase in its debt obligations by \$2.9 million due to an advance refunding of the General Obligation Bonds Series B (2010) with the General Obligation Bonds Series 2016.



Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

REVENUES, EXPENSES, AND NET POSITION

Table 3 shows the revenues, expenses, and net position for 2016 and 2015.

Table 3
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(In thousands)

June 30	2016	2015
Operating Revenues		
Net patient services revenue	\$ 130,395	\$ 118,955
Other	8,026	6,984
Total Operating Revenues	138,421	125,939
Operating Expenses		
Salaries and wages	44,146	41,305
Employee benefits	24,632	22,499
Professional fees	19,352	20,649
Supplies	17,848	17,158
Purchased services	11,031	10,951
Depreciation	10,280	9,613
Insurance	566	598
Cost of bond issuance	228	400
Other operating expenses	5,789	6,744
Total Operating Expenses	133,872	129,917
Operating Loss	4,549	(3,978)
Nonoperating Revenues (Expense)		
District tax revenue	5,462	5,481
District tax revenue - general obligation bonds	4,715	4,829
Loss recognized on joint venture	(281)	(136)
Interest income	399	317
Rental income - net	252	231
Donations	533	648
Gain (Loss) on sale of assets	10	-
Interest expense	(4,061)	(5,259)
Total Nonoperating Revenues (Expenses)	7,029	6,111
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	11,578	2,133
Capital contributions	551	-
Increase (Decrease) in Net Position	12,129	2,133
Net Position - Beginning of Year	99,396	97,263
Net Position - End of Year	\$ 111,525	\$ 99,396

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

NET PATIENT SERVICE REVENUE

For the year ended June 30, 2016, net patient service revenues increased by \$11.4 million or 9.6%. Net patient service revenue is composed of gross patient service revenue, less contractual allowances, charity care, provision for bad debts, and prior period settlements.

Gross patient service revenues increased by \$13.5 million or 6.5%, which was comprised of a decrease in inpatient gross revenue by \$5.4 million and an increase in outpatient gross revenue of \$18.9 million. Inpatient gross revenues decreased primarily due to less inpatient days. Outpatient gross revenues increased due to increased volumes in our outpatient areas when compared to our previous year. Significant volume percentage increases were as follows: emergency department visits 6.9%, gastrointestinal procedures 9.0%, radiology exams 11.7%, CT/PET exams 10.4%, MRI exams 5.2%, oncology procedures 25.0%, radiation oncology procedures 26.3%, and physical therapy procedures 12.0%.

Contractual allowances as a percent of gross patient service revenues was 40.3%, compared to last year's 38.4%, reflecting a 1.9% increase from prior year. We anticipated an increase in the contractual allowance percentage based upon the payor mix, specifically an increase in gross revenues derived from Medi-Cal. (See DEDUCTIONS FROM REVENUE below).

Charity care increased when compared to prior year. Fiscal year 2016 was approximately 3.4% of gross patient service revenues, and fiscal year 2015 was approximately 3.1%. (See CHARITY CARE AND COMMUNITY BENEFIT below). In addition, provision for bad debts as a percent of gross patient service revenues showed a decrease of 1.6% compared to previous year. We attribute the decrease in our percentage of bad debt to more of our patient population obtaining some form of coverage either through commercial insurance exchange products, or through the expansion of Medi-Cal.

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

INPATIENT BUSINESS ACTIVITY

Total admissions decreased by 112 and total patient days decreased by 226 reflecting an increase in our average length of stay of .05 days. TFH became a critical access hospital effective July 1, 2007, reducing its acute care beds to 25, down from 35. IVCH is also a critical access hospital and has 4 acute care beds. Table 4 presents a summary of inpatient business activity.

Table 4
INPATIENT BUSINESS ACTIVITY

June 30	2016	2015
Acute		
Admissions	1,575	1,687
Length of stay	2.73	2.68
Average daily census	11.8	12.4
Occupancy percentage	40.60%	42.70%
Patient days	4,295	4,521
Total ICU days	608	556
Total medical/surgical days	2,849	3,025
Total obstetrics days	838	940
Total swing days	437	231
Nursery days	768	883
Deliveries	336	383
Skilled Nursing Units		
Patient days	11,650	12,086
Average daily census	32	33
Occupancy percentage	86.30%	89.50%

Tahoe Forest Hospital District
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

OUTPATIENT BUSINESS ACTIVITY

The District’s outpatient revenue was 13.7% higher than the prior year. The increase is attributable to an increase in volumes related to emergency department visits, gastrointestinal procedures, radiology exams, CT and PET CT exams, MRI exams, oncology and radiation oncology procedures, and physical therapy procedures.

Table 5
OUTPATIENT BUSINESS ACTIVITY

June 30	2016	2015
Emergency department visits	17,481	16,351
Laboratory test	164,503	166,489
Home health visits	3,555	3,575
Radiology exams	12,428	11,124
Ultrasound exams	4,120	4,253
Cat scan exams (including PET CT)	4,528	4,100
MRI scan exams	1,934	1,838
Radiation oncology procedures	4,282	3,390
Surgery cases	1,050	1,058
Surgery minutes	96,572	92,514

DEDUCTIONS FROM REVENUE

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 38.4% for fiscal year 2015 and 38.6% for fiscal year 2014. The District’s payor mix for fiscal year 2015 was 35.7% Medicare, 17.9% Medi-Cal, 0.1% County, 3.8% other, and 42.5% insurance; compared to fiscal year 2014 mix of 34.3% Medicare, 13.1% Medi-Cal, 1.3% County, 6.4% other, and 44.9% insurance. The state programs, as well as some federal programs, continue to hold reimbursements to the District below actual increases (inflation) in costs. Both TFH and IVCH are designated as critical access hospitals under the Medicare program, which provides for cost-based reimbursement of Medicare services.

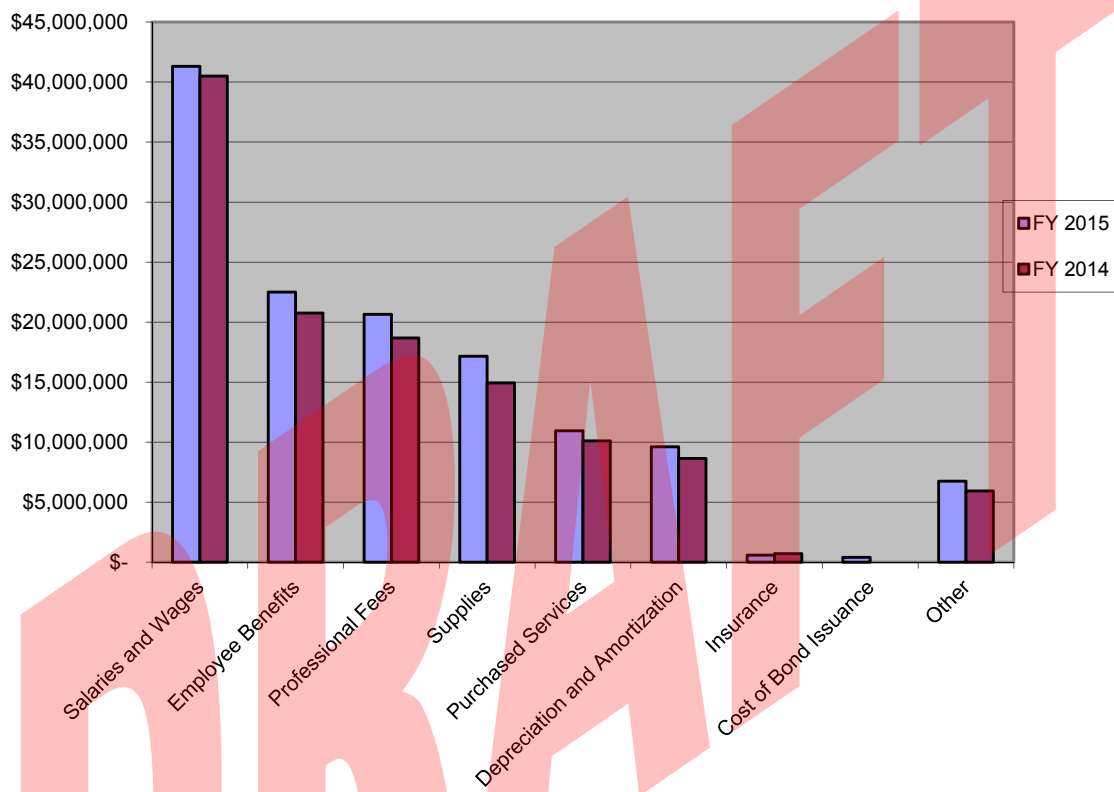
CHARITY CARE AND COMMUNITY BENEFIT

The District provides care without charge or at amounts less than established rates to patients who meet certain criteria under its charity care policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded \$7.5 million in charity care for patient services during fiscal year 2016 and \$6.4 million for fiscal year 2015.

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

OPERATING EXPENSES

Total operating expenses were \$133.9 million for the year ended June 30, 2016, and \$129.9 million for the year ended June 30, 2015, as summarized in the graph. Total operating expenses increased \$4.0 million, or 3.1% from the prior year.



The District experienced an increase in the area of salaries and wages and employee benefits, for a combined increase of \$5.0 million, due to the result of wage increases as outlined in the employee bargaining unit agreements, which took effect July 1, 2013, and have a 3 year term. Wage increases varied by position but overall for FY 2016 the increase was approximately 5.8%. In addition, we experienced an 11 full-time equivalent (FTE) increase which was primarily in the areas of respiratory therapy services and environmental services. We previously outsourced our respiratory therapy services (a professional fee) but brought it in house effective July 1, 2015. We also added environmental services staff to accommodate the additional square footage that was created by the Measure C construction projects. The increases in wages and FTEs caused an increase to our retirement benefits as well. Professional fees decreased \$1.3 million primarily due to bringing our respiratory therapy services in house, therefore eliminating the therapy professional fees. Supplies saw an increase of \$0.7 million due to increased volume in our oncology program requiring more oncology pharmaceuticals. Purchased services had a minimal increase of \$0.08 million due to normal increases to our many maintenance and service agreements. Depreciation and amortization increased \$0.7 million due to depreciation on the general obligation bond (Measure C) capital projects. We also had depreciation associated with the continued investment in our information technology systems, and other large capital purchases in imaging and respiratory therapy. Other decreased \$1.0 million due to a decrease in equipment rent, utilities expense including phone, diesel, and electricity, and travel cost.

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

ECONOMIC FACTORS AFFECTING NEXT YEAR

FY 2015-16 was a year of change for Tahoe Forest Hospital District (TFHD) as a new Chief Executive Officer (CEO) joined the organization in December 2015. With a new CEO at the lead, 6 critical strategies were developed: 1) Complete makeover, and focus, on our physician services for better integration with our health system and community needs 2) Define and select the next electronic medical record system and the related business software that spans all services 3) Create the next phase campus/facility master plan that incorporates physician services, clinical services, overhead services and parking needs 4) Develop a comprehensive care coordination and patient navigation program for all in- and outpatients 5) Improve quality, patient satisfaction, finance and compliance 6) Develop and sustain strong community relations in the communities we serve. A balanced financial approach is considered key in the ability to accomplish all 6 critical strategies. With that said, the organization has approached its financial focus with a refreshed view. Our Board of Directors has adopted a new finance policy beginning in FY 2016-17 that reflects a commitment towards an "improved" level of financial performance. The organization is focused on trying to achieve in every possible fiscal year ratios that would demonstrate at least an A- level of performance or better as reviewed by an investment rating agency. We are dedicated to creating this financial stability for our organization in order to carry out our mission and vision, as well as our 6 critical strategies.

During FY 2016-17, our financial focus will be in two key areas: Revenue cycle improvement and expense reduction. Significant pressure on improving the revenue cycle has been caused by the implementation of the Affordable Care Act with the continuation of both the California and Nevada Insurance Exchanges, as well as the expansion of the California Medi-Cal program, and its transition to Medi-Cal managed care. TFHD continues to see a shift in its revenue sources, with more derived from patients having coverage through Medi-Cal or Medi-Cal managed care. These plans do not reimburse 100% of the cost of providing care to patients. It will be key for TFHD to strategize and balance our charges and reimbursement in order to continue to provide the spectrum of services our community has and deserves. We will continue to feel pressure from various insurance companies to renegotiate our payor contracts attempting to drive down our levels of reimbursement. Management will continue to push back to try to maintain successfully negotiated contracts with maximum reimbursement levels. It will be critical to help accomplish an improved level of financial performance.

Management will also continue to focus on expense reduction during FY 2016-17. We have engaged in a benchmarking project utilizing Office of Statewide Health Planning and Development (OSHPD) data, as well as other sources, to identify areas that are ripe for process redesign/improvement to create efficiencies and reduce costs.

The 2016-17 fiscal year is an aggressive year. Management is projecting net income of approximately \$4 million, and income from operations (EBITDA – excluding property tax revenues) of around \$8 million. We are anticipating a drop in cash reserves of approximately \$8 million with the day's cash on hand target at 171 days. The reduction in cash reserves is due to anticipated capital asset investments and capital projects in the amount of \$18.5 million. The scope of investments and projects include the continuation of information system transitions, funding for Measure C project completion, replacement of the nurse call system, property acquisitions, and significant projects for Incline Village Community Hospital. The IVCH projects include the replacement of the siding, enhancements to the HVAC system for the isolation room, second floor upgrades that will be funded by donor support, and replacing a portion of the roof.

Tahoe Forest Hospital District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Management will continue to take an aggressive and proactive position to assure that we are able to balance our budget and progress towards an improved level of financial performance in what continues to be the era of health reform. As been said in the past, balance sheet management and organization redesign will continue to be dominant themes as we lead our health system through these challenging times.

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FINANCIAL SECTION

Tahoe Forest Hospital District
COMBINED STATEMENTS OF NET POSITION

June 30

2016

2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 14,265,936	\$ 12,697,818
Patient accounts receivable - net of allowance for uncollectible accounts of \$15,768,022 in 2016 and \$16,903,061 in 2015	16,298,707	17,870,107
Advances to related party	2,825,594	2,112,114
Other receivables	2,585,903	1,793,346
Assets limited as to use	1,645,169	1,717,337
Inventories	2,671,610	2,317,563
Prepaid expenses and deposits	1,334,694	1,454,114
Unconditional promises to give - net	-	30,536
Beneficial interest in Community for Cancer Care Endowment	1,356,049	1,274,996
Estimated third-party payor settlements	1,213,619	1,024,506

Total Current Assets

44,197,281 42,292,437

Assets Limited as to Use

Assets limited as to use	64,161,061	59,557,519
Less: Amount required to meet current obligations	(1,645,169)	(1,717,337)

Assets Limited as to Use - Net

62,515,892 57,840,182

Noncurrent Assets and Investments

Investment in joint venture	43,372	324,395
Physician notes receivable	250,488	265,956
Other noncurrent assets	-	-
Capital assets - net	158,612,541	151,485,005

Total Noncurrent Assets and Investments

158,906,401 152,075,356

Total Assets

265,619,574 252,207,975

Deferred Outflow of Resources

Deferred loss on defeasance - net	6,961,589	2,456,847
Accumulated decrease in fair value of hedging derivative	2,281,527	1,774,439

Total Deferred Outflow of Resources

9,243,116 4,231,286

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 274,862,690 \$ 256,439,261

The accompanying notes are an integral part of these financial statements.

Tahoe Forest Hospital District
COMBINED STATEMENTS OF NET POSITION
(Continued)

June 30	2016	2015
LIABILITIES		
Current Liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 3,296,637	\$ 1,960,073
Accounts payable	6,636,934	5,323,111
Patient balances payable	249,282	633,635
Accrued payroll and related expenses	10,051,224	8,167,980
Estimated claims incurred but not reported	3,180,009	2,536,741
Estimated third-party payor settlements	-	368,523
Other accrued expenses	458,570	533,448
Accrued interest	1,745,599	1,718,963
Total Current Liabilities	25,618,255	21,242,474
Noncurrent Liabilities		
Long-term debt and capital lease obligations - net of current maturities	133,349,591	131,796,401
Derivative instrument liability	2,281,527	1,774,439
Total Noncurrent Liabilities	135,631,118	133,570,840
TOTAL LIABILITIES	161,249,373	154,813,314
NET POSITION		
Net investment in capital assets	32,287,624	36,058,660
Temporarily restricted	2,906,839	3,179,415
Unrestricted	78,418,854	62,387,872
TOTAL NET POSITION	113,613,317	101,625,947
TOTAL LIABILITIES AND NET POSITION	\$ 274,862,690	\$ 256,439,261

The accompanying notes are an integral part of these financial statements.

Tahoe Forest Hospital District

COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30	2016	2015
Operating Revenues		
Net patient service revenue - net of contractual allowances and provision for bad debts of \$87,883,743 in 2015 and \$80,714,236 in 2014	\$ 130,395,139	\$ 118,954,594
Other revenue	8,025,800	6,983,789
Total Operating Revenues	138,420,939	125,938,383
Operating Expenses		
Salaries and wages	44,145,552	41,305,001
Employee benefits	24,632,507	22,498,628
Professional fees	19,351,728	20,649,250
Supplies	17,847,824	17,158,123
Purchased services	11,031,203	10,950,904
Depreciation and amortization	10,280,138	9,612,792
Insurance	565,926	598,253
Other	6,779,726	7,417,269
Total Operating Expenses	134,634,604	130,190,220
Operating Loss	3,786,335	(4,251,837)
Nonoperating Revenues (Expenses)		
Property tax revenue	5,461,660	5,480,606
Property tax revenue - general obligation bonds	4,714,688	4,829,411
Loss recognized on joint venture	(280,874)	(136,300)
Contributions - net	383,751	760,529
Change in value of beneficial interest in Community for Cancer Care Endowment	70,106	3,688
Special event revenue	700,470	498,692
Interest income	399,205	317,042
Rental income - net	251,849	231,065
Gain on disposal of assets	10,000	-
Interest expense	(4,060,516)	(5,258,916)
Total Nonoperating Revenues (Expenses)	7,650,339	6,725,817
Income Before Other Revenues, Expenses, Gains and Losses	11,436,674	2,473,980
Capital contributions	550,696	-
Increase (Decrease) in Net Position	11,987,370	2,473,980
NET POSITION		
Net Position - Beginning of Year	101,625,947	99,151,967
Net Position - End of Year	\$ 113,613,317	\$ 101,625,947

The accompanying notes are an integral part of these financial statements.

Tahoe Forest Hospital District
COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from, and on behalf of, patients	\$ 131,024,550	\$ 120,612,168
Payments to suppliers and contractors	(54,490,908)	(56,145,837)
Payments to, and on behalf of, employees	(66,251,547)	(64,531,716)
Other receipts and payments - net	6,787,088	6,938,830
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,069,183	6,873,445
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax revenue received for operations	6,155,384	5,428,875
Contributions received	377,657	824,892
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	6,533,041	6,253,767
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	550,696	-
Acquisition of property and equipment	(16,395,868)	(15,422,249)
Transfers to board-designated assets	(15,218,742)	(415,291)
Change in assets held by trustee	10,828,527	7,292,692
Proceeds from sale of assets	(10,000)	-
Property tax revenue received for general obligation bonds	5,178,978	5,178,785
Principal paid on general obligation bonds	(380,000)	(50,000)
Interest payments on general obligation bonds	(3,936,221)	(4,677,674)
Principal paid on long-term debt and capital leases	(1,535,811)	(2,251,756)
Interest paid on long-term debt and capital leases	(1,109,357)	(1,689,942)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(22,027,798)	(12,035,435)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	357,786	307,347
Net cash received for rental activities	349,237	317,802
Advances to related party	(713,480)	(402,188)
Cash received from joint venture	149	35,700
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(6,308)	258,661
Net Increase (Decrease) in Cash and Cash Equivalents	1,568,118	1,350,438
Cash and Cash Equivalents - Beginning of Year	12,697,818	11,347,380
Cash and Cash Equivalents - End of Year	\$ 14,265,936	\$ 12,697,818

The accompanying notes are an integral part of these financial statements.

Tahoe Forest Hospital District
COMBINED STATEMENTS OF CASH FLOWS
(Continued)

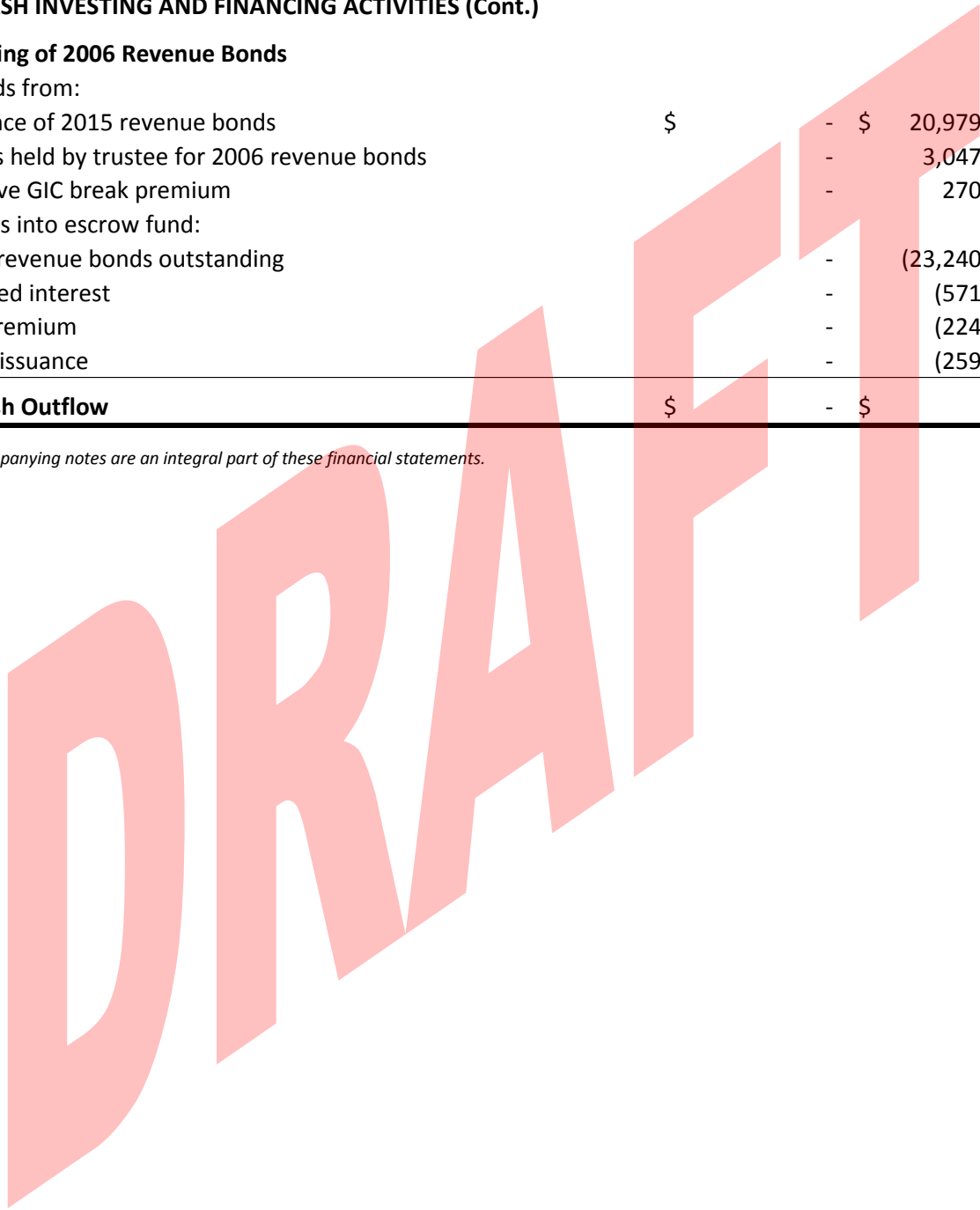
Years Ended June 30	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ 3,786,335	\$ (4,251,837)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	10,280,138	9,651,580
Provision for bad debts	(515,632)	3,321,782
Changes in:		
Patient accounts receivable	2,087,032	(66,944)
Inventories	(354,047)	188,847
Prepaid expenses	119,420	114,209
Estimated third-party payor settlements	(557,636)	(948,569)
Accounts payable and accrued expenses	3,840,335	(669,808)
Patient balances payable	(384,353)	(648,695)
Other	(1,232,409)	182,880
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 17,069,183	\$ 6,873,445
NONCASH INVESTING AND FINANCING ACTIVITIES		
Refunding of General Obligation Bonds 2008, Series B		
Proceeds from:		
Issuance of 2016 GO bonds	\$ 45,110,000	\$ -
Original issue premium	2,729,740	-
Underwriter's discount	(216,078)	-
Deposits into escrow fund:		
2008 GO bonds outstanding	(42,785,000)	-
Additional funds to service bonds	(4,627,331)	-
Cost of issuance	(211,331)	-
Net Cash Outflow	\$ -	\$ -
Refunding of General Obligation Bonds 2008, Series A		
Proceeds from:		
Issuance of 2015 GO bonds	\$ -	\$ 30,810,000
Original issue premium	-	1,040,802
Underwriter's discount	-	(312,650)
Deposits into escrow fund:		
2008 GO bonds outstanding	-	(29,345,000)
Additional funds to service bonds	-	(2,016,320)
Cost of issuance	-	(176,832)
Net Cash Outflow	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Tahoe Forest Hospital District
COMBINED STATEMENTS OF CASH FLOWS
(Continued)

Years Ended June 30	2016	2015
NONCASH INVESTING AND FINANCING ACTIVITIES (Cont.)		
Refunding of 2006 Revenue Bonds		
Proceeds from:		
Issuance of 2015 revenue bonds	\$ -	\$ 20,979,000
Assets held by trustee for 2006 revenue bonds	-	3,047,066
Reserve GIC break premium	-	270,000
Deposits into escrow fund:		
2006 revenue bonds outstanding	-	(23,240,000)
Accrued interest	-	(571,625)
Call premium	-	(224,700)
Cost of issuance	-	(259,741)
Net Cash Outflow	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.



Tahoe Forest Hospital District

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity Tahoe Forest Hospital District (the District), is a political subdivision of the State of California. The District was established in 1949 under the provisions of Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The District operates Tahoe Forest Hospital in Truckee, California, and Incline Village Community Hospital in Incline Village, Nevada, which provide health care services to residents of the surrounding communities and visitors to the area. The District derives a significant portion of revenue from third-party payors, including Medicare, Medi-Cal, and commercial insurance organizations.

The District includes the following component units which are included as blended component units of the District's combined financial statements: Incline Village Community Hospital Foundation (IVCHF) and Tahoe Forest Health System Foundation (TFHS) collectively, "the Foundations".

All significant inter-entity accounts and transactions have been eliminated in the combined financial statements.

The District maintains its financial records in conformity with guidelines set forth by Local Health Care District Law and the Office of Statewide Health Planning and Development of the State of California.

Basis of Presentation The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board (APB) Opinions; and 3) Accounting Research Bulletins (ARB) of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The District also applies GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments.

Use of Estimates The preparation of combined financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Cash and Cash Equivalents The District considers cash on deposit and highly liquid investments, such as pooled investment funds, as “cash equivalents.”

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF). As of June 30, 2016, the LAIF pool includes structured notes and asset-backed securities which total 2.81% of the total portfolio. These structured notes and asset-backed securities are subject to market risk as to change in interest rates. As of June 30, 2016, the fair value of LAIF was 100.06% of the carrying value and is deemed to not represent a material difference. There are no LAIF funds invested in derivatives as of June 30, 2016. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The chairperson of the LIAB is the State Treasurer or a designated representative. The District is considered to be a voluntary participant in the LAIF investment pool.

The Foundations maintain their cash at financial institutions. At times, the account balances at a financial institution may exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit; and, as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage.

Contributions and Promises to Give Gifts of cash and other assets are reported at the time the gift is made. Unconditional promises to give are recognized as revenue or gains in the period the promise is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected beyond 12 months from the pledge date are recorded at their net present values. The amortization of the imputed discount is reported as contribution income.

Management provides for probable uncollectible amounts through a provision for uncollectible promises to give and an adjustment to a valuation allowance based on its assessment of the current status of individual promises. Promises that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of June 30, 2016 and 2015, the valuation allowance was \$1,847 and \$3,392, respectively. Contribution income is presented net of the provision for uncollectible promises to give.

Patient Accounts Receivable The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The District bills third-party payors directly and bills the patient when the patient’s liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written-off as bad debts based on individual credit evaluation and specific circumstances of the account.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Endowment and Improvement Funds IVCHF entered into agreements with The Parasol Tahoe Community Foundation (Parasol) to establish endowment and improvement funds with Parasol. These funds provide the opportunity for supporters of IVCHF to contribute directly to Parasol. While the agreements with Parasol state that the purpose of the funds is to support IVCHF and its mission, the agreements also grant to Parasol a variance power over the funds. In accordance with generally accepted accounting principles, IVCHF is precluded from recognizing the contributions to these funds, or its potential rights to the assets held by Parasol in these funds, in the combined financial statements. As Parasol makes payments to IVCHF from these funds, IVCHF recognizes such payments as contribution revenue. The Parasol endowment and investment funds totaled \$29,209 and \$26,728 at June 30, 2016 and 2015, respectively.

Beneficial Interest in Community for Cancer Care Endowment TFHSF is the named beneficiary under the terms of the Community for Cancer Care Endowment administered by the Tahoe Truckee Community Foundation. TFHSF's interest in the endowment assets are recorded in the combined statements of net position at fair value. The change in fair value attributable to the interests of TFHSF are recorded in the accompanying statements of revenues, expenses, and changes in net position. This net change in fair value may include community gifts to the fund, investment results, and distributions from the fund; but, it excludes direct transfers from TFHSF to the fund.

Advances to Related Party The District has agreed to make advances to the Tahoe Institute of Rural Health Research (the Institute), a nonprofit research organization, of up to \$2,000,000 on an as-needed basis. Outstanding advances accrue interest at a rate of 5.00%. Interest income of \$123,986 and \$92,855 was recorded by the District for the years ended June 30, 2016 and 2015, respectively.

Inventories Inventories are stated at the lower of cost or market. Cost is determined by the weighted-average, first-in, first-out method.

Assets Limited as to Use Assets limited as to use consist of assets held by trustees under indenture agreements and Board designated assets. Assets held by the trustees under indenture agreements are used by the trustees to make principal, interest, and insurance payments related to bonds; to maintain reserve funds as required by bond agreements; and to fund future approved capital acquisitions. Board designated assets have been set aside by the District's Board of Directors for property and equipment replacement and to satisfy future liabilities. The Board retains control over Board-designated assets and may, at its discretion, subsequently use them for other purposes. Purchases and sales of underlying investments are reported net in the combined statements of cash flows.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Investment in Joint Venture In December 2010, the District purchased a 51% equity interest in the Truckee Surgery Center, LLC (the Center), an ambulatory surgery center. However, under the terms of the Center's operating agreement, the District is unable to unilaterally impose its will on the Center. Accordingly, the District accounts for its investment in the Center under the equity method. The District shares in the operating results of the Center and reports its share of the operating results in nonoperating income. The Center has not issued audited financial statements. Summarized financial information for the Center is disclosed in note 13.

Capital Assets Capital assets are recorded at cost or, in the case of donated items, at fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. The District's capitalization policy states that all items with a unit cost of \$1,500 or more, and an estimated useful life of greater than two years, will be capitalized at the time of purchase. Expenditures which increase values, change capacities, or extend useful lives are also capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the combined financial statements. Useful lives are 2 to 40 years for land improvements, 5 to 40 years for buildings and improvements, and 5 to 20 years for equipment.

Capitalized Interest Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The District's interest cost capitalized was approximately \$1,103,402 and \$838,000 for the years ended June 30, 2016 and 2015, respectively.

Deferred Loss on Defeasance The deferred loss on defeasance of the 1999 Series B bonds is amortized using the straight-line method over the life of the bonds. The original amount of the deferred loss on defeasance is \$769,305. Accumulated amortization as of June 30, 2016 and 2015, was \$226,265 and \$187,477, respectively. Amortization expense for each of the years ended June 30, 2016 and 2015, amounted to \$38,788, and is estimated to be \$38,788 for each of the next five years.

The deferred gain on defeasance of the Series 2006 Revenue Bonds is amortized using the straight-line method over the life of the bonds. The original amount of the deferred gain on defeasance is \$141,300. Deferred revenue for each of the years ended June 30, 2016 and 2015, amounted to \$7,850, and \$-0-, respectively. Deferred income recognized is estimated to be \$7,850 for each of the next five years.

The deferred loss on defeasance of the Series A (2008) General Obligation Bonds is amortized using the effective-interest method over the life of the bonds. The original amount of the deferred loss on defeasance is \$2,016,320. As of June 30, 2016, the District had not recorded any related amortization. Amortization expense is estimated to be approximately \$60,000 for each of the next five years.

The deferred loss on defeasance of the Series B (2008) General Obligation Bonds is amortized using the effective-interest method over the life of the bonds. The original amount of the deferred loss on defeasance is \$4,627,331. As of June 30, 2016, the District had not recorded any related amortization. Amortization expense is estimated to be approximately \$60,000 for each of the next five years.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Deferred Outflows of Resources In addition to assets, the combined statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and, as such, will not be recognized as an outflow of resources (expense/expenditures) until that time. The District has two items that qualify for reporting in this category, which are the net deferred loss on defeasance and accumulated decrease in fair value of hedging derivative reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

Recognition of Donor Restrictions Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net position, depending on the nature of the restriction. When a temporary restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net position is reclassified to unrestricted net position. When restrictions on contributions are satisfied in the same period as the receipt of the contribution, the District reports both the contribution received and the related expense in unrestricted net position.

Net Position The District's net position is classified into three components, as follows:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any outstanding bonds, leases, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus assets held by the bond trustee for debt service payments and capital asset acquisitions.

Temporarily Restricted Net Position: Subject to donor-imposed stipulations that may or will be met, either when a stipulated time restriction ends or purpose restriction is accomplished. When a restriction expires, temporarily restricted net position is reclassified to unrestricted net position.

Unrestricted Net Position: Consists of the remaining equity that does not meet the definition of "temporarily restricted" or "net investment in capital assets."

Operating Revenues and Expenses The combined statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenues result from exchange transactions associated with providing health care services. Nonexchange revenues, including property tax revenues, grants, gifts, bequests, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating income. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and net of charity care. 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.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Charity Care The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from revenue under the District's charity care policy were \$6,877,334 and \$6,372,980 for 2016 and 2015, respectively.

Risk Management The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; medical malpractice; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

The District participates in a risk management authority for comprehensive liability self-insurance. The District is also partially self-insured for employee health insurance and workers' compensation insurance, up to certain stop-loss limits. The District estimates liabilities for claims incurred but not reported based on historical claims' activity. Paid claims, estimated losses, and changes in reserves are expensed in the current period. These self-insurance programs are more fully described in note 11.

Property Tax Revenues Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10. Property taxes are levied by Nevada and Placer County Assessors on the District's behalf. They are intended to support general maintenance and operations of the District, including charity care and uncompensated care programs, and to service the debt on the general obligation bonds. The amount of property tax received is dependent upon the assessed real property valuation, as determined by Nevada and Placer County Assessors. The District received approximately 8% of its financial support from property taxes in 2016 and 2015.

Donated Services Certain individuals and organizations have contributed significant amounts of time without compensation to the activities of the District and the Foundations. The combined financial statements do not reflect the value of all of these contributed services because no reliable basis exists for determining a comparable dollar amount.

Income Taxes The Foundations are exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code*. The Foundations are not private foundations under Section 509(a)(2). The Foundations have not entered into any activities that would jeopardize their tax-exempt status. Income from certain activities not directly related to the Foundations' tax-exempt purpose is subject to taxation as unrelated business income. However, there have been no unrelated business activities identified; accordingly, no provision for income taxes is required.

The Foundations file exempt organization returns in the U.S. federal and California (TFHSF only) jurisdictions. The federal and California returns remain subject to examination by the taxing authorities generally for three and four years, respectively, from their filing date.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

The Foundations account for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Foundations analyze tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Foundations' practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2016 and 2015, and the Foundations do not expect this to change significantly over the next 12 months.

2. NET PATIENT SERVICE REVENUE

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

Medicare Tahoe Forest Hospital and Incline Village Community Hospital are each designated as a "critical access hospital" under the Medicare program. Accordingly, inpatient acute and outpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology pursuant to the facilities' designation as "critical access hospitals." Costs incurred are reimbursed at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program, and the appropriateness of their admission, are subject to an independent review by a peer review organization under contract with the District. Incline Village Community Hospital Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2014, and final settlements have been received through that date. Tahoe Forest Hospital Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2013, and final settlements have been received through that date.

Medi-Cal Inpatient services rendered to Medi-Cal program beneficiaries were reimbursed under a cost reimbursement methodology through December 31, 2013. Beginning January 1, 2014, Medi-Cal began reimbursements based on diagnosis related groups. Reimbursements are at tentative rates with final settlements determined after submission of annual cost reports and audits thereof by the Medi-Cal fiscal intermediary. Medi-Cal cost reports have been audited by the Medi-Cal fiscal intermediary through June 30, 2014, and final settlements have been paid through that date. Outpatient services related to Medi-Cal beneficiaries are paid at prospectively determined rates per procedure.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Revenue from the Medicare and Medi-Cal programs accounted for approximately 34% and 18% of gross patient service revenue in 2016 and approximately 36% and 18% of gross patient revenue in 2015, respectively. Net patient service revenue is reported at estimated realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$2,626,000 in 2016 and approximately \$81,000 in 2015 due to changes in prior-year retroactive adjustments compared with amounts previously estimated. The District believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions.

Other Arrangements The District has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The payments to the District under these agreements may be based on discounts from established charges.

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Tahoe Forest Hospital District
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 (Continued)

3. CASH, DEPOSITS, AND INVESTMENTS

The District is generally authorized, under state statute and local resolutions, to invest in demand deposits with financial institutions, savings accounts, certificates of deposit, U.S. Treasury securities, federal agency securities, State of California notes or bonds, notes or bonds of agencies within the State of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, and the LAIF.

Deposits and investments at carrying value consisted of the following:

June 30	Maturities	2016	Fair Value at 2015
Cash and Cash Equivalents			
Deposits (1)		\$ 14,848,771	\$ 13,222,739
LAIF (2)	5.5 months average	56,465,631	41,304,803
Subtotal		71,314,402	54,527,542
Assets Held by Trustees			
Cash		5,072,920	4,367,189
Money market funds		-	29,820
LAIF (2)	5.5 months average	2,039,672	13,330,786
Government bonds		3	-
Total Assets Held by Trustees		7,112,595	17,727,795
Total Cash, Deposits, and Investments		\$ 78,426,997	\$ 72,255,337

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, and nonnegotiable certificates of deposit at financial institutions, if any.
- (2) **Investments That are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. The deposits in LAIF are pooled investment funds, which are not evidenced by securities. Thus, the District's LAIF investment is not categorized into custodial credit risk categories.

Deposits and investments are reflected on the accompanying combined statements of net position under the following captions:

June 30	2016	2015
Cash and cash equivalents	\$ 14,265,936	\$ 12,697,818
Assets limited as to use	64,161,061	59,557,519
Total Cash, Deposits, and Investments	\$ 78,426,997	\$ 72,255,337

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that, in the event of a financial institution failure, the District's deposits might not be recovered. The District has collateralization agreements with the financial institutions, which mitigate custodial credit risk. Uninsured deposits collateralized with financial institutions amounted to \$16,875,783 and \$12,197,422 at June 30, 2016 and 2015, respectively. Deposits amounting to \$250,000 in each qualifying financial institution are covered by federal depository insurance, and the remaining balances are subject to collateralization agreements.

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on LAIF, which is unrated:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% of the value of the portfolio may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

The District has a formal investment policy in place to maximize the return on invested cash while minimizing risk of capital loss. District policy limits investments to one and one half years, unless otherwise approved by the Board of Directors. The District was in compliance with their investment policies as of June 30, 2016.

Tahoe Forest Hospital District
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 (Continued)

4. ASSETS LIMITED AS TO USE

The composition of assets limited as to use is set forth in the following table:

June 30	2016	2015
Board Designated Assets		
Cash	\$ 123,161	\$ 252,729
LAIF	56,925,305	41,576,995
Subtotal	57,048,466	41,829,724
Assets Held by Trustees		
Cash	5,072,920	4,367,189
Money market funds	-	29,820
LAIF	2,039,672	13,330,786
Government bonds	3	-
Subtotal	7,112,595	17,727,795
Total Assets Limited as to Use	\$ 64,161,061	\$ 59,557,519

5. PATIENT ACCOUNTS RECEIVABLE

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

June 30	2016	2015
Medicare	28%	27%
Medi-Cal	16%	17%
Patients	16%	18%
Commercial insurance and others	40%	38%
Totals	100%	100%

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
June 30, 2016				
Land and improvements	\$ 6,570,196	\$ 48,723	\$ -	\$ 6,618,919
Buildings and improvements	151,187,663	4,056,819	-	155,244,482
Equipment	72,169,290	2,542,350	-	74,711,640
Subtotal	229,927,149	6,647,892	-	236,575,041
Less: Accumulated depreciation	(101,231,185)	(10,377,527)	-	(111,608,712)
Property held for future expansion	836,353	-	-	836,353
Construction in progress	21,952,688	14,596,895	(3,739,724)	32,809,859
Capital Assets - Net	\$ 151,485,005	\$ 10,867,260	\$ (3,739,724)	\$ 158,612,541
June 30, 2015				
Land and improvements	\$ 6,370,497	\$ 199,699	\$ -	\$ 6,570,196
Buildings and improvements	131,821,392	19,366,271	-	151,187,663
Equipment	67,292,696	4,876,594	-	72,169,290
Subtotal	205,484,585	24,442,564	-	229,927,149
Less: Accumulated depreciation	(91,531,656)	(9,699,529)	-	(101,231,185)
Property held for future expansion	836,353	-	-	836,353
Construction in progress	30,096,201	11,116,370	(19,259,883)	21,952,688
Capital Assets - Net	\$ 144,885,483	\$ 25,859,405	\$ (19,259,883)	\$ 151,485,005

Tahoe Forest Hospital District

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Continued)

7. PROCEEDS AND EXPENDITURES OF THE 2007 GENERAL OBLIGATION BOND

In September 2007, the voters of the District authorized the issuance of general obligation bonds in an aggregate amount not to exceed \$98,500,000 to fund the construction and equipping of additions and improvements to the District's healthcare facilities and to refinance up to \$3,500,000 of existing debt. In August 2008, the District issued \$29,400,000 in bonds (Series A); in August 2010, the District issued another \$43,000,000 in bonds (Series B); and in July 2012, the District issued the remaining \$26,100,000 in bonds (Series C) totaling \$98,500,000. In March 2015, the District issued the 2015 general obligation refunding bonds in the amount of \$30,810,000 in order to advance refund all of the 2008 Series A bonds and pay for costs of issuing the bonds. In April 2016, the District issued the 2016 general obligation refunding bonds in the amount of \$45,110,000 in order to advance refund all of the 2008 Series B bonds and pay for costs of issuing the bonds.

The District has utilized the bond funds for a variety of projects. A summary of these projects and the expenditures incurred are as follows:

Construction Project	Expenditures			
	Prior	2015	2016	Total
Dietary #1	\$ 4,483,075	\$ 654,354	\$ 87,702	\$ 5,225,131
S. Building/Interim Birthing/Dietary/Respiratory Therapy	5,885,016	5,220,513	11,124,194	22,229,723
TFH Master Plan	1,400,326	242	-	1,400,568
Infill/Medical Records	2,020,975	1,656	1,570	2,024,201
Cancer Center Building	27,110,413	8,413	(100,000)	27,018,826
Cancer Center Equipment	2,301,095	-	-	2,301,095
Central Plant Upgrades	15,395,060	30,089	750	15,425,899
Emergency Dept/Sterile Processing	11,832,833	2,142,957	306,810	14,282,600
Fiber West Installation	950	-	-	950
IT Data Center Building	1,306,111	-	-	1,306,111
IT Data Center Equipment	9,109	-	-	9,109
IT/Administration Relocation	401,124	-	-	401,124
MPOE Fiber Installation	183,577	-	-	183,577
Nuclear Medicine Camera/Flourosopy	2,242,176	-	-	2,242,176
Skilled Nursing Facility	5,268,283	-	-	5,268,283
Skilled Nursing Facility Flooring	199,775	-	-	199,775
Totals	\$ 80,039,898	\$ 8,058,224	\$ 11,421,026	\$ 99,519,148

Tahoe Forest Hospital District

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Continued)

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations consisted of the following:

June 30, 2016	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2016 General Obligation Bonds	\$ -	\$ 45,110,000	\$ -	\$ 45,110,000	\$ 565,000
2015 General Obligation Bonds	30,810,000	-	165,000	30,645,000	250,000
2015 General Obligation Bonds Premium	728,152	2,513,663	33,098	3,208,717	137,834
Series 2015 Revenue Bonds	20,979,000	-	-	20,979,000	761,114
Series 2002 Variable Rate Demand Revenue Bonds	9,555,000	-	325,000	9,230,000	340,000
Series B (2010) General Obligation Bonds	43,000,000	-	43,000,000	-	-
Series C (2012) General Obligation Bonds	26,100,000	-	-	26,100,000	-
Lease agreement with Bank of America Public Capital payable in monthly installments of \$103,637, including interest at 1.42% through July 2017. The lease is collateralized by equipment and any unspent lease proceeds.	2,551,645	-	1,215,411	1,336,234	1,232,718
Lease agreement with US Bank Equipment Financing payable in monthly installments of \$229, including interest at 5.28% through July 2021. The lease was collateralized by equipment.	-	12,069	-	12,069	2,166
Lease agreement with US Bank Equipment Financing payable in monthly installments of \$758, including interest at 4.40% through July 2020. The lease is collateralized by equipment.	32,677	-	7,469	25,208	7,805
Total Long-Term Debt and Capital Lease Obligations	\$ 133,756,474	\$ 47,635,732	\$ 44,745,978	\$ 136,646,228	\$ 3,296,637

Tahoe Forest Hospital District

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Continued)

June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2015 General Obligation Bonds	\$ -	\$ 30,810,000	\$ -	\$ 30,810,000	\$ -
2015 General Obligation Bonds Premium	-	728,152	-	728,152	33,098
Series 2015 Revenue Bonds	-	20,979,000	-	20,979,000	-
Series 2006 Revenue Bonds	23,975,000	-	23,975,000	-	-
Series 2002 Variable Rate Demand Revenue Bonds	9,865,000	-	310,000	9,555,000	325,000
Series A (2008) General Obligation Bonds	29,395,000	-	29,395,000	-	-
Series B (2010) General Obligation Bonds	43,000,000	-	-	43,000,000	215,000
Series C (2012) General Obligation Bonds	26,100,000	-	-	26,100,000	165,000
Lease agreement with Bank of America Public Capital payable in monthly installments of \$103,637, including interest at 1.42% through July 2017. The lease is collateralized by equipment and any unspent lease proceeds.	3,749,992	-	1,198,347	2,551,645	1,215,411
Lease agreement with Great America Leasing payable in monthly installments of \$934, included interest at 0.01% through August 2014. The lease was collateralized by equipment.	1,846	-	1,846	-	-
Lease agreement with US Bank Equipment Financing payable in monthly installments of \$758, including interest at 4.40% through July 2020. The lease is collateralized by equipment.	-	39,240	6,563	32,677	6,564
Total Long-Term Debt and Capital Lease Obligations	\$ 136,086,838	\$ 52,556,392	\$ 54,886,756	\$ 133,756,474	\$ 1,960,073

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Years Ending June 30	Long-Term Debt		Capital Lease Obligations	
	Principal Amount	Interest Amount	Principal Amount	Interest Amount
2017	\$ 2,053,949	\$ 3,765,269	\$ 1,242,688	\$ 12,471
2018	2,335,571	4,820,688	113,955	1,193
2019	2,558,958	4,744,481	10,929	582
2020	2,798,639	4,658,624	3,264	217
2021	3,059,661	4,563,942	2,675	77
2022 to 2026	19,759,359	20,790,780	-	-
2027 to 2031	28,453,591	15,980,843	-	-
2032 to 2036	35,755,949	9,964,069	-	-
2037 to 2041	33,792,040	4,074,030	-	-
2042 to 2045	4,705,000	285,800	-	-
Totals	\$ 135,272,717	\$ 73,648,526	\$ 1,373,511	\$ 14,540

Following is a summary of equipment under capital leases:

June 30	2016	2015
Cost of equipment	\$ 4,987,813	\$ 4,526,546
Less: Accumulated depreciation	2,150,283	1,509,788
Capital Lease Equipment - Net	\$ 2,837,530	\$ 3,016,758

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Following is a summary of bonded debt:

June 30, 2016	Maturity	Annual Interest Rate	Amount Issued
Revenue Bonds			
Series 2002 Variable Rate Demand Revenue Bonds	July 2033	3.54%	\$ 12,000,000
Series 2015 Revenue Bonds - Term Bonds	July 2016 to 2033	3.87%	20,979,000
Total Revenue Bonds			32,979,000
General Obligation Bonds			
Series C (2012) General Obligation Bonds - Serial Bonds	August 2017 to 2035	3.00% to 5.50%	9,925,000
Series C (2012) General Obligation Bonds - Term Bonds	August 2034 to 2042	4.00%	16,175,000
2015 General Obligation Bonds - Serial Bonds	August 2015 to 2035	2.00% to 5.00%	22,700,000
2015 General Obligation Bonds - Term Bonds	August 2038	3.50%	8,110,000
2016 General Obligation Bonds - Serial Bonds	August 2016 to 2040	4.00% to 5.50%	45,110,000
Total General Obligation Bonds			102,020,000
Total			\$ 134,999,000

Accrued interest is paid on January 1 and July 1 each year for the 2002 Variable Rate Demand Revenue Bonds (the Series 2002 Bonds) and the 2015 Revenue Bonds (the Series 2015 Bonds), and on February 1 and August 1 for the General Obligation Bonds (the G.O. Bonds).

Principal payments on the bonds are as follows:

June 30, 2016	Annual Installments
Revenue Bonds	
Series 2002 Variable Rate Demand Revenue Bonds	July 1 ranging from \$200,000 to \$805,000
Series 2015 Revenue Bonds	July 1 ranging from \$761,114 to \$1,583,873
General Obligation Bonds	
Series C (2012) General Obligation Bonds	August 1 ranging from \$135,000 to \$2,440,000
2015 General Obligation Bonds	August 1 ranging from \$165,000 to \$2,895,000
2016 General Obligation Bonds	August 1 ranging from \$565,000 to \$3,625,000

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Mandatory sinking fund deposits for each of the bonds are as follows:

June 30, 2016	Required Deposits	Commencing	Due Annually Ending
2002 Variable Rate Demand Revenue Bonds	\$275,000 to \$805,000	July 2006	July 2033
2015 Revenue Bonds - Term Bonds	\$761,114 to \$1,583,873	July 2016	July 2033
Series 2015 General Obligation Bonds - Term Bonds	\$2,515,000 to \$2,895,000	August 2036	August 2038
Series B (2010) General Obligation Bonds - Term Bonds	\$1,630,000 to \$3,685,000	August 2028	August 2039
Series C (2012) General Obligation Bonds - Term Bonds	\$1,175,000 to \$2,265,000	August 2033	August 2041

The District issued the Series 2002 Bonds to finance the costs of constructing and equipping new health care facilities and remodeling certain existing facilities. The Series 2002 Bonds are secured by a pledge of gross revenues and by a direct-pay letter of credit issued by U.S. Bank National Association.

The District issued the Series 2015 Bonds to advance refund \$20,979,000 of Series 2006 Bonds outstanding. The Series 2015 Bonds are secured by a pledge of gross revenues.

In connection with the Series 2015 Bond agreement, the District is required to make monthly deposits to the trustee for the term bond sinking fund payments, serial bond principal payments, insurance premiums becoming due and payable within the next 12 months, and for interest payments becoming due and payable within the next six months. The aggregate future monthly deposit required is \$ [REDACTED] at June 30, 2016.

The District issued G.O. bonds, as further described in note 7, for the purpose of financing the expansion, improvement, acquisition, construction, equipping and renovating the health facilities of the District; refinancing \$3,500,000 in outstanding debt; and paying costs incident thereto. The series 2015 G.O. Bonds were issued for the purpose of refinancing the 2008 Series A Bonds.

All of the G.O. Bonds represent the general obligations of the District. The District has the power, and is obligated, to cause to be levied and collected by both Nevada and Placer Counties, annual ad valorem taxes on all property within the District's boundaries subject to taxation by the District for payment when due of the principal and interest on the bonds. However, the District is legally required to repay the G.O. Bonds if ad valorem taxes are insufficient.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

Advanced Refundings

On April 13, 2006, the District advance refunded \$11,790,000 of 1999 Series A Bonds outstanding with Series 2006 Bonds totaling \$11,790,000 with the Series 2006 bonds totaling \$12,557,998. The 1999 Series A bonds were redeemed on July 1, 2009, in accordance with the escrow agreement.

On March 10, 2015, the District advance refunded the Series A (2008) general obligation bonds totaling \$29,345,000 with the 2015 general obligation refunding bonds totaling \$30,810,000 at a premium of \$1,040,802. Resources totaling \$31,361,320 were placed in an escrow account for the purpose of generating resources for all future debt service payments.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$3,631,371. As a result of the refunding, total debt service payments over the next 24 years will decrease by \$5,184,014.

On May 29, 2015, the District advance refunded the Series 2006 revenue bonds totaling \$23,240,000 with the Series 2015 revenue bonds totaling \$20,979,000. Resources totaling \$24,036,325 were placed in an escrow account for the purpose of generating resources for all future debt service payments.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding revenue bonds) of \$2,331,620. As a result of the refunding, total debt service payments over the next 22 years will decrease by \$2,570,928.

On April 7, 2016, the District advance refunded the Series 2006 revenue bonds totaling \$42,785,000 with the Series 2016 general obligation bonds totaling \$45,110,000. Resources totaling \$47,412,331 were placed in an escrow account for the purpose of generating resources for all future debt service payments.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding revenue bonds) of \$2,331,620. As a result of the refunding, total debt service payments over the next 22 years will decrease by \$2,570,928.

9. INTEREST RATE SWAP AGREEMENT

Objective of the Interest Rate Swap In May 2005, as a means to lower its borrowing costs when compared against fixed-rate bonds, the District entered into an interest rate swap in connection with its Series 2002 Variable-Rate Revenue Bonds. The intention of the swap was to effectively change the District's variable interest rate on the Bonds to a synthetic fixed rate of 3.54%.

Terms The Series 2002 Bonds, and the related swap agreement, mature on July 1, 2033. The swap's original notional amount of \$11,800,000 matched the variable-rate bonds at the agreement date. The swap commenced three years after the Bonds were issued (July 2002). Starting in fiscal year 2005, the notional value of the swap, and the principal amount of the associated debt, will decline with each principal payment made by the District. Under the swap, the District pays the counterparty a fixed payment of 3.54% and receives a variable payment computed as 70% of the London Interbank Offered Rate (LIBOR) one-month rate.

Fair Value Because interest rates have declined since execution of the swap, the swap had negative fair values of \$2,281,527 and \$1,774,439 as of June 30, 2016 and 2015, respectively. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using mathematical approximations of market values derived from proprietary models. These valuations are calculated on a mid-market basis and do not include bid/offer spread that would be reflected in an actual price quotation. It should be assumed that the actual price quotations for unwinding the transactions would be different. In connection with the fair value determination of the interest rate swap, the District has recorded a derivative instrument liability in the amount of \$2,281,527 and \$1,774,439 at June 30, 2016 and 2015, respectively, and a corresponding accumulated decrease in fair value of hedging derivative (deferred outflow of resources).

Credit Risk As of June 30, 2016, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA-/Aa3 as of June 30, 2016. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA/Aa, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Termination Risk The District, or the counterparty, may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the District if the counterparty's credit quality rating falls below A3/A-/A-. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. If at the time of termination the swap has a negative fair value, the District would also be liable to the counterparty for a payment equal to the swap's fair value.

10. BENEFIT PROGRAMS

The District contributes to the Tahoe Forest Hospital District Employee Money Purchase Pension Plan, a defined contribution pension plan administered by the District. The money purchase pension plan covers employees who complete 1,000 hours of service in a calendar year. The District is required to make annual contributions to the money purchase pension plan equal to 3% of each eligible employee's annual compensation, plus 3% of an eligible employee's annual compensation in excess of the Social Security tax wage base. Employee contributions are voluntary and are limited to 10% of an employee's annual compensation.

The District provides a deferred compensation plan created in accordance with the *Internal Revenue Code*, Section 457. The deferred compensation plan allows employees to defer a portion of their current compensation until future years. The District matches participant deferrals from 3% to 7% of compensation. Employee contributions are limited to 100% of total employee compensation or the maximum amount allowable by law. The employer matching contributions under this deferred compensation plan are deposited into employee accounts in the money purchase pension plan.

Total employer contributions under the above benefit programs were \$3,518,685 and \$2,582,757 in 2016 and 2015, respectively.

11. RISK MANAGEMENT

Joint Powers Agreement

The District participates in a joint powers agreement (JPA) with the Program BETA Risk Management Authority (the Program).

The Program was formed for the purpose of operating a comprehensive liability self-insurance program for certain hospital districts of the Association of California Healthcare Districts, Inc (ACHD). The Program operates as a separate JPA established as a public agency separate and distinct from ACHD. Each member hospital pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the Program. The District maintains coverage on a claims-made basis.

Coverage under a claims-made policy could expose the District to a gap in coverage if the District were to terminate coverage with the Program. In order to mitigate this potential gap in coverage, the District has accrued an estimated premium to purchase an unlimited extended reporting amendment (tail coverage) in the amount of \$751,298 and \$824,203 at June 30, 2016 and 2015, respectively.

Employee Health Insurance

The District is self-insured to provide group medical, dental, and vision coverage. A third party administers these coverages for the District. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides a specific stop-loss deductible per claim of \$225,000 with an aggregate specific annual deductible of \$100,000. There were no significant changes in insurance coverage from the prior year.

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

The liability for unpaid claims is estimated using an industry average that is based on actual claims paid. The estimated liability for claims pending and incurred but not reported at June 30, 2016 and 2015, has been included in the accompanying balance sheets under estimated claims incurred but not reported. Changes in the claims liability are as follows:

June 30	2016	2015
Estimated claims incurred but not reported - beginning of year	\$ 1,307,731	\$ 997,635
Incurred claims and claims adjustment expense	4,770,151	9,285,432
Claim payments	(4,770,151)	(8,975,336)
Estimated Claims Incurred But Not Reported - End of Year	\$ 1,307,731	\$ 1,307,731

Workers' Compensation Insurance

The District is self-insured for workers' compensation losses. A third party administers this coverage for the District. The District funds its losses based on future claims projections developed by the third-party administrator. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$500,000 per plan year with an aggregate limit of \$1,000,000. There were no significant changes in insurance coverage from the prior year.

The liability for unpaid claims is estimated using development factors, including actual claims paid industry standards and actuarial factors. The estimated liability for claims pending and incurred but not reported at June 30, 2016 and 2015, has been included in the accompanying balance sheets under estimated claims incurred but not reported. Changes in the claims liability are as follows:

June 30	2016	2015
Estimated claims incurred but not reported - beginning of year	\$ 404,807	\$ 1,006,475
Incurred claims and claims adjustment expense	1,298,201	2,032
Claim payments	(582,028)	(603,700)
Estimated Claims Incurred But Not Reported - End of Year	\$ 1,120,980	\$ 404,807

12. COMMITMENTS AND CONTINGENCIES

Construction Project Commitments

Construction project commitments as of June 30, 2016, were as follows:

Construction Project	Remaining Construction Commitments
South Building; Birthing/Dietary Phase II	\$ 3,157,300
Total	\$ 3,157,300

Operating Leases

The District leases certain facilities and equipment under non-cancelable operating leases. Total lease expense was \$2,024,927 and \$2,010,150 for 2016 and 2015, respectively. Future minimum payments under these non-cancelable operating lease agreement are as follows:

Years Ending June 30	
2017	\$ 879,774
2018	770,251
2019	601,523
2020	538,234
2021	387,383
Thereafter	-
Total Minimum Payments	\$ 3,177,165

The District entered into a cancelable sublease agreement to sublease a specific facility during 2014. Under the terms of the agreement, the subtenant shall pay the District fixed monthly rent in the amount of \$2,917 for the duration of the agreement. Sublease revenue realized by the District during 2016 and 2015 was approximately \$45,000 and \$45,000, respectively, and was included in net rental income on the statement of revenues, expenses, and changes in net position.

Litigation

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

Tahoe Forest Hospital District
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 (Continued)

Seismic Compliance

California Senate Bill 1953 (SB 1953) required hospital acute care buildings to meet more stringent seismic guidelines by 2008. In fiscal 2013, the District received approval of a time extension from the Office of Statewide Health Planning and Development for compliance with SB 1953 until January 1, 2015. As of January 1, 2015, the buildings to which the extension applied no longer housed any acute care services. The Board of Directors approved a \$98.5 million expansion plan, which includes expanding and enhancing the emergency room to ensure access to lifesaving care; maintaining critical medical services including pediatrics, maternity, long-term care for seniors and cancer care; and upgrading facilities that are outdated or do not meet state-mandated earthquake safety standards. The financing for this expansion plan has multiple parts, including \$98.5 million of general obligation bonds to be repaid through ad valorem property taxes of the residents of the District (see note 8).

13. INVESTMENT IN JOINT VENTURE

The District owns 51% of Truckee Surgery Center, LLC (the Center). Summarized financial information for the Center was as follows:

June 30	2016		2015	
Total assets	\$	4,006,477	\$	4,323,519
Total liabilities		54,805		66,414
Total Equity	\$	3,951,672	\$	4,257,105
Equity Positions				
Tahoe Forest Hospital District	\$	3,639,072	\$	3,920,095
Truckee Surgery Center, Inc.		312,600		337,010
Total	\$	3,951,672	\$	4,257,105
Net Loss	\$	(318,167)	\$	(16,533)

Reconciliation of the District's equity position according to the Center's records of the District's investment in joint venture was as follows:

June 30	2016		2015	
Tahoe Forest Hospital District equity position	\$	3,639,072	\$	3,920,095
Impairment reserve (see note 18)		(3,595,700)		(3,595,700)
Investment in Joint Venture	\$	43,372	\$	324,395

Tahoe Forest Hospital District
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(Continued)

14. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

June 30	2016	2015
Receivable in less than one year	\$ 12,834	\$ 32,384
Receivable in one to five years	6,350	3,500
Total Unconditional Promises to Give	19,184	35,884
Less: Unamortized discount	(715)	(1,956)
Less: Allowance for uncollectible amounts	(1,847)	(3,392)
Unconditional Promises to Give - Net	\$ 16,622	\$ 30,536

Promises to give that are not to be received within the subsequent year are discounted at 3% per year.

15. TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net position is available for the following purposes:

June 30	2016	2015
Capital Campaign - Phase II	\$ -	\$ 365,631
Cancer prevention	369,635	415,303
Cancer care	1,372,671	1,303,277
Hospice and other	1,164,533	1,095,204
Total Temporarily Restricted Net Position	\$ 2,906,839	\$ 3,179,415

16. BENEFICIAL INTEREST IN COMMUNITY FOR CANCER CARE ENDOWMENT

TFHSF established the Community for Cancer Care Endowment Fund (the Fund) at Tahoe Truckee Community Foundation (TTCF). Under the terms of the agreement, TFHSF is the named beneficiary of the Fund, and distributions from the Fund shall be in accordance with the spending policy established by the Board of Directors of TTCF. Distributions shall be made annually or, as the parties may agree from time to time. Distributions in excess of TTCF's spending policy may be made to TFHSF in any year as determined by the Board of Directors of TTCF. TFHSF may request, at any time, that TTCF disburse up to 100% of the Fund to TFHSF. Such a request, however, is not binding on TTCF and may be accepted or rejected, in whole or in part, by TTCF at its sole and absolute discretion. At the establishment of the Fund, TFHSF granted variance power to TTCF. That power gives TTCF the right to distribute the income and principal of the Fund to another not-for-profit organization of its choice if TFHSF ceases to exist or if the governing board of TTCF votes that support of TFHSF is: (a) no longer necessary, or (b) inconsistent with the needs of TTCF. The Fund had a value of \$1,356,049 and \$1,274,996 at June 30, 2016 and 2015, respectively, and is reported in the combined financial statements as beneficial interest in Community for Cancer Care Endowment.

FINANCE COMMITTEE

RECOMMENDED AGENDA ITEMS FOR NEXT FINANCE COMMITTEE MEETING

1. Financial Report – October 2016
2. TFHS Foundation FYE 2016 Pre-Audit & Q1 Financial Statements
3. MSC Quarterly Review – July-Sept 2016
4. TSC LLC Quarterly Review – July-Sept 2016
5. Audit Contract Review

RECOMMENDED DATE(s) AND TIME(s) FOR NEXT FINANCE COMMITTEE MEETING

- | | |
|---------------------------------|--------------------------|
| 1. Wednesday, November 16, 2016 | 2 hrs – Between 11am-5pm |
| 2. Thursday, November 17, 2016 | 2 hrs – 1:30-3:30pm |