

Sonoma Valley Health Care District June 30, 2021 Audit Results

Contents




Section

- I** Client Service Team
- II** Audit Highlights
- III** Areas of Audit Focus
- IV** Financial Statement Analysis
- V** Required Communications
- V1** New GASB Pronouncements
- VII** Executive Session

Client Service Team



Experience, Expertise and Commitment - Engagement Team

Engagement Member	Role	Sample of Clients Served	Education / Experience and Background
<p>Bill Brause Audit Partner</p> 	<p>Engagement Partner</p>	<ul style="list-style-type: none"> • Palo Verde Healthcare District • Oroville Hospital • Community based FQHC's 	<ul style="list-style-type: none"> • Member of Healthcare Financial Management Association • Member of California Society of CPAs
<p>Paul Peterson Audit Partner</p> 	<p>Concurring Review Partner</p>	<ul style="list-style-type: none"> • Concurring review partner for: <ul style="list-style-type: none"> • Oroville Hospital • Palo Verde HC District • All other healthcare clients 	<ul style="list-style-type: none"> • Member of Armanino Technical Standards Committee • Member of AICPA
<p>Liz Marek Senior Audit Manager</p> 	<p>Engagement Manager</p>	<ul style="list-style-type: none"> • Oroville Hospital • Palo Verde Healthcare District • Mission Neighborhood Health Centers • Santa Cruz Community Health Centers • VEP Healthcare, Inc. 	<ul style="list-style-type: none"> • Member of AICPA • Member of Healthcare Financial Management Association

Audit Highlights



Audit Highlights

- Remote Audit
- Opinion
 - Unmodified Opinion on the Financial Statements
- Federal grant single audit for Provider Relief Funds
- No difficulties encountered in performing the audit
- No change in originally planned timeline
- No material weaknesses or significant deficiencies in internal control were identified based upon our procedures

Financial Statement Analysis



Audit Highlights

- Risk Based Audit Approach – Areas of Audit Focus:
 - Walk-through of all key Internal Controls over significant operating cycles
 - Net Patient Receivables:
 - Look-back analysis of June 30, 2020 A/R collections
 - Interim A/R analysis as of March 2021 (for A/R at December 2020)
 - Analysis of collection activity subsequent to June 30, 2021
 - Provider Relief Funds – Single Audit required for the expenditure of federal funds of \$750k or greater.
 - Test of compliance with grant provisions in accordance with the Health Resources and Service Administration (“HRSA”) guidelines.
 - Test of Expenditures for COVID-19 and lost revenues as defined by HRSA
 - Capital Asset activity
 - Bonds Payable, Bond refinance in August 2021, Line of Credit and Capital leases
 - Revenue Recognition – testing of sample of patient claims for services provided.

Overview of Financial Statements

Statements of Net Position

Total Assets

- **Overall increase of \$4.4M (~5 %)**
 - Decrease in cash \$(372k)
 - Increase In Patient A/R, net \$959k
 - Increase in capital assets, net \$3.3M

Total Liabilities

- **Overall decrease of \$699k (~1 %)**
 - Decrease due to loan paydowns / payoff \$(1.9M)
 - Increase in accounts payable and accrued expenses \$1.2M

Total Net Position

- **Overall increase of \$5.1M to \$34.4M for FY 2021**

Overview of Financial Statements (continued)

Statements Of Revenues, Expenses and Change in Net Position

Total Operating Revenues

- **Overall increase of \$2.4M (5%)**
 - Increase in net patient service revenues due to recovery of volume in 2021

Total Operating Expenses

- **Overall increase of \$2.9M (5%)**
 - Increase in salaries, wages and benefits of \$674k
 - Increase in other expenses: purchased services, professional fees and supplies

Nonoperating income

- **Overall decrease of \$7.0M (>100%)**
 - Provider Relief Funds of \$5.6M in 2020
 - Gain on sale of Land of \$2.0M in 2020

Total Increase in Net Position for FYE 2021 **\$5.1M**

Total Increase in Net Position for FYE 2020 **\$9.2M**

Overview of Financial Statements (continued)

STATEMENT OF CASH FLOWS

Net Cash Used in Operations	\$(4.3M)
Net Cash Provided by Noncapital Financing	\$4.4M
Net Cash Used in Capital Financing	\$(135k)
Net Cash Used in Investing Activities	\$(382K)
Net Increase in Cash – June 30, 2021	\$372k

Overview of Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

Significant Notes:

- Note 2 – Summary of Significant Accounting Policies
- Note 4 – Net Patient Services Revenues
- Note 8 – Capital Assets
- Note 9 – Line of Credit
- Note 10 – Long-Term Debt
- Note 19 – Risks and Uncertainties
- Note 20 – Subsequent Events

Required Communications



Communication with those Charged with Governance

- Auditor Responsibilities
- Planned Scope and Timing
- Significant Accounting Policies
 - Note 2
- Significant Accounting Estimates
 - A/R contractual allowance reserves and bad debt allowance
 - Useful lives of capital assets
 - Accrual for workers' comp liability
- Significant Disclosures
- No Significant Disagreements or Issues Encountered During the Audit
- Uncorrected and Corrected Misstatements
- No Material Weaknesses or Significant Deficiencies

New GASB Pronouncements

- **Accounting Changes on the Horizon**

- New Lease standard – current status:

- GASB No. 95 was issued in May 2020: Postponement of the Effective Dates of Certain Authoritative Guidance

The effective dates of the following pronouncements are postponed by 18 months, now effective for fiscal years beginning after June 15, 2021 :

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*



What Questions Do You Have?

We're here to help!



Bill Brause
Audit, Partner
925 790 2764 | Bill.Brause@amllp.com

Liz Marek
Senior Manager
925 790-2784 | Liz.Marek@amllp.com