

**PUBLIC HOSPITAL DISTRICT NO. 1,
SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	9
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	11
STATEMENTS OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	14
SUPPLEMENTARY INFORMATION	
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)	36

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Public Hospital District No. 1, Snohomish County, Washington
dba: EvergreenHealth Monroe
Monroe, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Public Hospital District No. 1, Snohomish County, Washington dba: EvergreenHealth Monroe (the Hospital), which are comprised of the statements of net position as of December 31, 2017 and 2016, and the related 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended December 31, 2016, the Hospital adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the Hospital reported a prior period adjustment for the exchange in accounting principle (see Note 17). Our opinion is not modified with respect to this matter.

Required Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 and the other postemployment benefits information on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.



CliftonLarsonAllen LLP

Bellevue, Washington
July 18, 2018

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Our discussion and analysis of the financial performance of Public Hospital District No. 1, Snohomish County, Washington dba: EvergreenHealth Monroe (the Hospital), provides an overview of the Hospital's financial activities for the years ended December 31, 2017 and 2016. Please read it in conjunction with the Hospital's financial statements, which follow this analysis. Unless otherwise indicated, dollar amounts are in thousands.

Financial Highlights

- The Hospital reported operating losses of (\$4,075) in 2017, (\$2,743) in 2016, and (\$2,696) in 2015.
- Net nonoperating income was \$3,578 in 2017, \$3,311 in 2016, and \$3,267 in 2015.
- After reflecting nonoperating income and contributions for capital, the Hospital's increase/(decrease) in net position was (\$288) in 2017, \$688 in 2016, and \$571 in 2015.
- The Hospital reported a decrease of cash flows of (\$177) in 2017, (\$253) in 2016, and (\$711) in 2015.

The Hospital's financial statements consist of the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by enabling legislation. The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Hospital's resources and its activities and include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

Significant Accounting Policies

In 2017, the Hospital early adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The statement was retrospectively implemented as of January 1, 2016 resulting in a prior period adjustment (see Note 17).

GASB 75 requires that public entities account for, and report on the financial statements, the entity's full liability for post-employment benefits related to health insurance (see Note 7). The liability is determined based upon an actuarial valuation using estimates and assumptions about future employment, mortality and health care cost trends. While the resulting liability represents expectations of future benefits available to employees based on implicit and explicit subsidies for health insurance premiums, the Hospital is not responsible for any future payment or cash requirement to cover the liability or the annual expense required to be reflected in the financial statements under GASB 75.

The long-term liability related to the OPEB benefit calculation was \$6,083 and \$5,099 for 2017 and 2016 respectively. Total operating expenses increased by \$597 and \$595 as a result of the adoption of GASB 75 for the years ending December 31, 2017 and 2016, respectively.

**PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

Financial Highlights without OPEB Adjustments

Due to the non-cash nature of the future obligation, adjustments should be considered when evaluating certain financial metrics and key ratios. The below summarizes the impact to the Hospital's financial evaluation with and without the impact of GASB 75.

	<u>As Reported Under GASB 75</u>	<u>Without GASB 75</u>
Operating (Loss)	\$ (4,075)	\$ (3,482)
Operating Margin	-9.3%	-8.0%
Total Margin in Dollars	\$ (497)	\$ 96
Total Margin Percentage	-1.1%	0.2%
Debt Ratio	1.42	1.17
Days Cash	4.54	4.60

- The Hospital reported operating losses of (\$3,482) in 2017, (\$2,198) in 2016 and (\$2,696) in 2015.
- Net nonoperating income was unchanged at \$3,578 in 2017, \$3,311 in 2016 and \$3,267 in 2015.
- After reflecting nonoperating income and contributions for capital, the Hospital's increase in net position was \$305 in 2017, \$1,233 in 2016 and \$571 in 2015.
- Cash flows were unchanged as the liability and expense related to OPEB do not have a cash impact.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

The Hospital's Statements of Net Position

The following is a presentation of certain financial information derived from the Hospital's statements of net position (in thousands):

	(Dollars in Thousands)		
	December 31,		
	2017	2016 (As Restated)	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets	\$ 9,898	\$ 8,878	\$ 7,181
Capital Assets, Net	14,253	13,543	13,273
Deferred Outflows of Resources	404	78	117
Total Assets and Deferred Outflows or Resources	\$ 24,555	\$ 22,499	\$ 20,571
LIABILITIES			
Current Liabilities	\$ 8,579	\$ 7,738	\$ 6,938
Long-Term Debt	17,599	18,054	18,838
Other Noncurrent Liabilities	8,069	6,087	309
Deferred Inflows of Resources	177	201	-
Total Liabilities and Deferred Inflows of Resources	34,424	32,080	26,085
NET POSITION			
Net Investment in Capital Assets	(4,106)	(5,306)	(6,365)
Restricted Expendable for Debt Service	250	260	238
Unrestricted	(6,013)	(4,535)	613
Total Net Position	(9,869)	(9,581)	(5,514)
Total Liabilities and Net Position	\$ 24,555	\$ 22,499	\$ 20,571

Current assets increased by \$1,020 from 2016 to 2017 mainly due to increase in estimated third-party payor settlements. Current assets increased by \$1,697 from 2015 to 2016 mainly due to an increase in patient accounts receivable and other receivables of \$1,381 and \$515, respectively.

Net capital assets increased by \$710 during 2017 due to purchases of capital assets of CT machine, patient room renovations, and IT projects. Net capital assets increased by \$270 during 2016 due to construction in projects in the Emergency Department, a new roof and a chiller installation.

On December 31, 2017 and 2016, the Hospital had \$17,599 and \$18,054 in long-term debt, respectively, with current portions of \$761 and \$795, respectively. There was no unlimited tax general obligation debt at either year-end.

The Hospital's formal debt issuances – government bonds – cannot be issued without approval of the board of commissioners. The amount of debt issued is subject to limitations that apply to the Hospital.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Operating Results and Changes in the Hospital's Net Position

Net patient revenue increased by \$1,312, or 3.2%, in 2017 and increased by \$5,097, or 14.4%, in 2016. The increase in 2017 net patient revenue is primarily due to increases in inpatient patient volumes, laboratory tests, and emergency department visits. The increase in 2016 was a result of increases in inpatient patient volumes, surgeries, and emergency department visits.

The Hospital reported excess/(deficit) of revenue over expenses of (\$497) in 2017, \$568 in 2016, and \$571 in 2015. The following is a presentation of certain financial information derived from the Hospital's statements of revenues, expenses, and changes in net position (in thousands):

	(Dollars in Thousands)		
	Years Ended December 31,		
	2017	2016 (As Restated)	2015
OPERATING REVENUES			
Net Patient Service Revenue	\$ 41,773	\$ 40,461	\$ 35,364
Other Operating Revenues	2,030	2,575	1,192
Total Operating Revenues	<u>43,803</u>	<u>43,036</u>	<u>36,556</u>
OPERATING EXPENSES			
Salaries and Wages	19,333	17,698	15,554
Employee Benefits	8,515	7,964	6,298
Other Operating Expenses	18,023	18,078	15,266
Depreciation	2,007	2,039	2,134
Total Operating Expenses	<u>47,878</u>	<u>45,779</u>	<u>39,252</u>
OPERATING LOSS	(4,075)	(2,743)	(2,696)
NONOPERATING INCOME	<u>3,578</u>	<u>3,311</u>	<u>3,267</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(497)	568	571
Contributions for Capital	<u>209</u>	<u>120</u>	<u>-</u>
Changes in Net Position	<u>\$ (288)</u>	<u>\$ 688</u>	<u>\$ 571</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Operating Loss

A major component of the overall changes in the Hospital's net position is its operating income or loss, which is generally the difference between net patient service revenues and the expenses incurred to provide those services. The Hospital reported operating losses of (\$4,075) in 2017, (\$2,743) in 2016, and (\$2,696) in 2015.

The Hospital provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals developed for the Hospital when it was established in 1960, and it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the county's lower income residents. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Hospital.

The Provision for Bad Debts for the years ended December 31, 2017 and 2016 was \$4,797 and \$4,763, respectively. Charity care for the years ended December 31, 2017 and 2016 was \$587 and \$318, respectively.

Total operating expenses increased by \$2,099 or 4.6% during 2017. This increase reflects increases in patient volumes and labor costs. Major expense changes include:

- Salaries and benefits increased by \$2,186, or 8.5%, during 2017.

Salary and benefit costs were higher in 2017 and reflect the increase in patient volumes and the need to stay competitive in hiring personnel, as well as adjustment of staffing levels to correspond with current patient volumes.

Employee salary and benefits costs are subject to rates and terms established in labor contracts negotiated in 2012. Two of the current labor contracts for the Hospital's unionized employees are still being renegotiated. The third labor contract was renegotiated in 2018 and extends until June 2019.

Supply costs, professional fees, and purchased services increased due to an increase in patient volumes.

The Hospital leases space for certain clinical and support departments and equipment in the pharmacy, surgery, laboratory, and radiology departments.

**PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the Hospital and interest expense.

Grants, Contributions, and Endowments

The EvergreenHealth Monroe Foundation provided fundraising support to the Hospital to further the Hospital's mission and services to the community. Contributions for program expenses are included in other operating revenues, and those for equipment are included in contributions for capital purchases. The EvergreenHealth Monroe Foundation is a 501(c)(3) organization with its own board of directors, which functions independently of the Hospital's board of commissioners and Hospital administration. Grants, contributions, and endowments for other than capital purchases are reported as other operating income.

The Hospital's Cash Flows

Operating loss increased by \$1,332 in 2017. Cash flows from operating activities decreased by \$236 in 2017 mainly due to the increase in payments to employees. The Hospital had net decrease in cash of (\$177) in 2017, (\$253) in 2016, and (\$711) in 2015.

	(Dollars in Thousands)		
	Years Ended December 31,		
	2017	2016	2015
		(As Restated)	
Net Cash Used by Operating Activities	\$ (740)	\$ (504)	\$ (1,498)
Net Cash Provided by Noncapital Financing Activities	4,648	4,391	4,396
Net Cash Used by Capital and Related Financing Activities	(4,085)	(4,140)	(3,609)
Net Change in Cash	<u>\$ (177)</u>	<u>\$ (253)</u>	<u>\$ (711)</u>

Economic Factors

The Hospital is located in a primarily residential community. The local economy is based on health care, agriculture, government employment associated with state correctional facilities and several school districts, and growing retail and light manufacturing sectors. Monroe is the largest city in the community and is an agricultural supply and service center, as well as trade, business, and professional service center. The State Correctional Facility is Monroe's largest employer and small, diverse industries play a role in the local Monroe economy. Growth has been primarily attributable to increasing population and employment opportunities in the adjacent areas of the county, including the Everett Boeing Plant and the "technology corridor" of north King County.

Contacting the Hospital's Financial Management

This financial report provides our patients, suppliers, taxpayers, and creditors with a general overview of Public Hospital District No. 1's finances and shows the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital's Administrative Office at EvergreenHealth Monroe, 14701 179th Ave. S.E., Monroe, Washington 98272-0646.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016 (As Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 570,146	\$ 754,482
Patient Accounts Receivable, Net	5,989,415	6,050,490
Other Receivables	667,959	731,969
Estimated Third-Party Settlements Receivable	1,210,325	-
Inventory	1,024,871	910,701
Prepaid Expenses	272,196	274,934
Restricted Deposits	163,130	155,394
Total Current Assets	9,898,042	8,877,970
CAPITAL ASSETS		
Land	1,878,610	1,878,610
Construction in Progress	880,168	905,373
Depreciable Capital Assets, Net	11,494,251	10,759,015
Total Capital Assets	14,253,029	13,542,998
Total Assets	24,151,071	22,420,968
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding of Long-Term Debt	39,130	78,260
Related to Other Postemployment Benefits	364,924	-
Total Deferred Outflows	404,054	78,260
Total Assets and Deferred Outflows of Resources	\$ 24,555,125	\$ 22,499,228

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2017</u>	<u>2016 (As Restated)</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 760,602	\$ 795,565
Accounts Payable	2,063,538	2,098,505
Current Portion of Related Party Payable	2,973,472	1,803,466
Accrued Salaries and Benefits	2,490,942	2,560,985
Accrued Interest	77,473	79,311
Estimated Third-Party Settlements Payable	-	37,029
Other Accrued Liabilities	212,568	363,551
Total Current Liabilities	<u>8,578,595</u>	<u>7,738,412</u>
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	17,598,564	18,053,734
Related Party Payable, Net of Current Portion	1,988,000	988,000
Net Other Postemployment Benefits Liability	6,082,811	5,099,004
Total Noncurrent Liabilities	<u>25,669,375</u>	<u>24,140,738</u>
Total Liabilities	34,247,970	31,879,150
DEFERRED INFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	176,640	200,837
NET POSITION		
Net Investment in Capital Assets	(4,106,137)	(5,306,301)
Restricted Expendable for Debt Service	249,649	259,788
Unrestricted	<u>(6,012,997)</u>	<u>(4,534,246)</u>
Total Net Position	<u>(9,869,485)</u>	<u>(9,580,759)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 24,555,125</u>	<u>\$ 22,499,228</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016 (As Restated)
OPERATING REVENUES		
Net Patient Service Revenue, Net of Provision for Bad Debts of \$4,797,015 in 2017 and \$4,763,442 in 2016	\$ 41,772,880	\$ 40,461,213
Other Operating Revenues	2,029,765	2,575,375
Total Operating Revenues	43,802,645	43,036,588
OPERATING EXPENSES		
Salaries and Wages	19,333,070	17,698,220
Employee Benefits	8,515,445	7,963,908
Supplies	5,762,602	5,737,432
Professional Fees	4,398,453	4,279,956
Purchased Services	3,854,454	3,952,734
Repairs and Maintenance	966,818	953,524
Other Operating Expenses	3,039,666	3,154,627
Depreciation	2,007,160	2,038,659
Total Operating Expenses	47,877,668	45,779,060
OPERATING LOSS	(4,075,023)	(2,742,472)
NONOPERATING INCOME (EXPENSE)		
Tax Levy	4,647,854	4,411,841
Interest Expense	(1,070,156)	(1,101,685)
Gain on Sale of Capital Assets	-	1,256
Total Nonoperating Income	3,577,698	3,311,412
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(497,325)	568,940
Contributions for Capital	208,599	119,683
CHANGES IN NET POSITION	(288,726)	688,623
Net Position - Beginning of Year	(9,580,759)	(5,514,053)
Restatement for January 1, 2016, OPEB Liability and Related Expense	-	(4,755,329)
Net Position - Beginning of Year, Restated	(9,580,759)	(10,269,382)
NET POSITION - END OF YEAR	\$ (9,869,485)	\$ (9,580,759)

See accompanying Notes to Financial Statements.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 40,586,601	\$ 39,239,382
Payments to Suppliers and Contractors	(16,166,368)	(17,156,424)
Payments to Employees	(27,253,829)	(24,646,858)
Other Cash Receipts	2,093,775	2,060,071
Net Cash Used by Operating Activities	(739,821)	(503,829)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from Tax Levy	4,647,854	4,391,207
Net Cash Provided by Noncapital Financing Activities	4,647,854	4,391,207
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Long-Term Debt	(891,337)	(802,379)
Proceeds from Issuance of Long-Term Debt	387,290	-
Interest Payments	(1,071,994)	(1,050,328)
Purchase of Capital Assets	(2,508,592)	(2,286,851)
Net Cash Used by Capital and Related Financing Activities	(4,084,633)	(4,139,558)
DECREASE IN CASH	(176,600)	(252,180)
Cash - Beginning of Year	909,876	1,162,056
CASH - END OF YEAR	\$ 733,276	\$ 909,876
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION		
Cash	\$ 570,146	\$ 754,482
Restricted Deposits	163,130	155,394
Total	\$ 733,276	\$ 909,876

See accompanying Notes to Financial Statements.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016 (As Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (4,075,023)	\$ (2,742,472)
Noncash Expenses Included in Operating Loss:		
Depreciation	2,007,160	2,038,659
Provision for Bad Debts	4,797,015	4,763,442
Amortization of Loss on Refunding of Long-Term Debt	39,130	39,130
Amortization of Bond Discounts	13,914	13,915
Gain on Sale of Capital Assets	-	(1,256)
Change in Operating Assets and Liabilities:		
Patient Accounts Receivable	(4,735,940)	(6,144,819)
Other Receivables	64,010	(515,304)
Inventory and Prepaid Expenses	(111,432)	(175,684)
Deferred Outflows of Resources	(364,924)	-
Accounts Payable	(34,967)	(210,512)
Related Party Payable	2,170,006	1,536,675
Net Other Postemployment Benefits Liability	983,807	343,675
Estimated Third-Party Payor Settlements	(1,247,354)	159,546
Accrued Liabilities	(221,026)	190,339
Deferred Inflows of Resources	(24,197)	200,837
	<u>\$ (739,821)</u>	<u>\$ (503,829)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Obtained under Capital Leases	<u>\$ 387,290</u>	<u>\$ -</u>
Obligations Assumed under Capital Leases	<u>\$ 387,290</u>	<u>\$ -</u>
Equipment Purchases Remaining in Related Party Payable	<u>\$ -</u>	<u>\$ 22,231</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Public Hospital District No. 1, Snohomish County, Washington dba: EvergreenHealth Monroe (the Hospital) is organized as a municipal corporation pursuant to the laws of the state of Washington. The purpose of the Hospital is to own and operate the Hospital and other health care facilities and provide health care services to the residents of Monroe, Washington, and the surrounding communities (the District). The Hospital's primary operations include EvergreenHealth Monroe, an acute care hospital, and EvergreenHealth Monroe's Addiction Recovery Center. The Hospital is licensed for 72 acute beds and the addiction recovery center is licensed for eight detox and 32 residential treatment facility beds. The financial statements of the Hospital include the health care and financing activities of the Hospital and the Recovery Center.

Fund Accounting

The Hospital uses the proprietary fund method of accounting, whereby revenues and expenses are recognized on the accrual basis.

Patient Accounts Receivable

Receivables arising from revenue for services to patients are reduced by an estimate allowance for uncollectible accounts based on past experience and other circumstances that may affect the ability of patients to meet their obligations. Accounts deemed uncollectible are charged against this allowance. Allowance for uncollectible accounts as of December 31, 2017 and 2016 was approximately \$895,000 and \$884,000, respectively.

Inventory

Inventory consists of pharmaceutical, medical-surgical, and other hospital supplies valued at the lower of cost or net realizable value.

Restricted Deposits

Restricted cash include assets set aside under debt agreements and assets in employees' flexible spending savings accounts. Amounts required to meet current liabilities have been classified as current assets in the accompanying statements of net position.

Capital Assets

Capital assets are stated at cost. The Hospital capitalizes fixed assets with a cost greater than \$1,000. Depreciation or amortization (in the case of capital leases) of capital assets, other than land, is determined using the straight-line method over the assets' estimated useful lives as follows:

Land Improvements	5 to 40 Years
Buildings and Improvements	5 to 40 Years
Fixed Equipment	5 to 20 Years
Movable Equipment	4 to 15 Years

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Maintenance and repairs are charged to operations when they occur. Donated items are recorded at fair market value at the date of the contribution. When assets are disposed, the related costs and accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is classified in nonoperating income or expenses.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources in the statements of net position consist of unrecognized items not yet charged to amortization expense and other postemployment benefit and unrecognized items not yet charged to employee insurance expense.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statements of net position consists of other postemployment benefits.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources. There were no restricted resources other than those restricted for debt service at December 31, 2017 and 2016.

Net Position

Net position of the Hospital is classified into three components. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related debt that is attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position represents noncapital assets that must be used for a specific purpose. The unrestricted component of net position is the remaining net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition or debt service, are reported as other operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs paid by specific tax proceeds.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue

Net patient service revenue is reported in the period in which services are provided at established rates, net of contractual adjustments for Medicare, Medicaid, and other third-party payors. Contractual adjustments include differences between established billing rates and amounts estimated by management as reimbursable under various cost reimbursement formulas or contractual relationships in effect.

When reimbursement settlements are received, or when information becomes available regarding changes in recorded reimbursement, variations from amounts previously established as preliminary settlements are accounted for as a contractual adjustment in the period the settlements are received, or when information regarding reimbursement changes becomes available.

Charity Care

The Hospital provides care to patients who meet certain criteria under charity care policies. Amounts representing charity are not reported as net patient service revenue because the Hospital does not pursue collection. Forgone revenue for charity care measured by the standard charges was \$586,514 and \$318,107 for the years ended December 31, 2017 and 2016, respectively.

Tax Levy Revenue

The Hospital is permitted to levy an annual maintenance and operations tax on certain property within the District without a vote of the taxpayers.

Electronic Health Record Information

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These acts provided for incentive payments under both the Medicare and Medicaid programs to eligible health care organizations that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Hospital continuing to meet the escalating meaningful use criteria. Under the program, the Hospital received incentive payments of approximately \$96,000 and \$379,000 for Medicare and \$-0- and \$226,000 for Medicaid for the years ended December 31, 2017 and 2016, respectively. The revenue for Medicare and Medicaid incentive payments was reported as other operating revenue in the statements of revenues, expenses, and changes in net position.

Federal Income Tax

No provision has been made for federal income taxes as the Hospital is a municipal corporation and is exempt from federal taxation.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

During the year ended December 31, 2017, the Hospital has adopted the following GASB Statements as of January 1, 2016:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost sharing OPEB plans administered through a trust, and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

Reclassifications

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

Subsequent Events

The Hospital has evaluated subsequent events through July 18, 2018, the date the financial statements were available to be issued.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 DEPOSITS

Deposits are made up of the following as of December 31:

	2017	2016
Cash:		
Deposits in Banks	\$ 570,146	\$ 754,482
Restricted Deposits:		
Deposits Restricted for Debt Service	122,056	120,144
Employee Flexible Spending Savings	41,074	35,250
Total Cash	\$ 733,276	\$ 909,876

The Hospital has established bond funds required under its bond resolutions. These funds are to be used to service the Hospital's tax general obligation bonds.

As a political subdivision of the state, the Hospital categorizes deposits to give an indication of the risk assumed at year-end. Category 1 includes deposits that are insured, registered, or held in the Hospital's name. Category 2 includes uninsured and unregistered deposits that are held by a broker's or dealer's trust department or agent in the Hospital's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by a broker or dealer, or its trust department or agent, but not in the Hospital's name. At December 31, 2017 and 2016, all deposits of the Hospital were categorized as Category 1.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a deposit will not fulfill its obligations. The Hospital's investment policy limits the types of securities to those authorized by statute and, therefore, credit risk is very limited.

Deposits

All of the Hospital's deposits are either insured or collateralized. The Hospital's insured deposits are covered by the Federal Deposit Insurance Corporation. Collateral protection is provided by the Washington Public Deposit Protection Commission.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Hospital will not be able to recover the value of the deposits that are in the possession of an outside party. The Hospital is not exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investment in a single issuer. The Hospital is not exposed to concentration of credit risk, as all deposits are insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of a deposit. The Hospital is not exposed to interest rate risk, as all deposits are extremely liquid.

NOTE 3 PATIENT ACCOUNTS RECEIVABLE

The Hospital has a concentration of credit risk with respect to unsecured patient's accounts receivable. The majority of the Hospital's patients are local residents and are insured under third-party payor agreements. Patient account receivable at December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Receivable from Patients and Their Insurance Carriers	\$ 5,049,555	\$ 5,084,828
Receivable from Medicare	1,095,389	1,237,306
Receivable from Medicaid	<u>739,471</u>	<u>612,356</u>
Total Patient Accounts Receivable	6,884,415	6,934,490
Less: Allowance for Uncollectible Accounts	<u>895,000</u>	<u>884,000</u>
Patient Accounts Receivable, Net	<u><u>\$ 5,989,415</u></u>	<u><u>\$ 6,050,490</u></u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 CAPITAL ASSETS

The schedule of capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

	Balance January 1, 2017	Additions	Transfers	Retirements	Balance December 31, 2017
Nondepreciable Capital Assets:					
Land	\$ 1,878,610	\$ -	\$ -	\$ -	\$ 1,878,610
Construction in Progress	905,374	1,292,565	(1,317,770)	-	880,169
Total Nondepreciable Capital Assets	2,783,984	1,292,565	(1,317,770)	-	2,758,779
Depreciable Capital Assets:					
Land Improvements	1,145,662	-	-	-	1,145,662
Buildings and Improvements	25,073,245	2,356	1,198,593	-	26,274,194
Fixed Equipment	2,446,963	16,094	11,784	-	2,474,841
Movable Equipment	16,943,281	1,406,176	107,393	(366,192)	18,090,658
Total Depreciable Capital Assets	45,609,151	1,424,626	1,317,770	(366,192)	47,985,355
Less Accumulated Depreciation:					
Land Improvements	(711,056)	(55,215)	-	-	(766,271)
Buildings and Improvements	(17,879,404)	(1,024,403)	-	-	(18,903,807)
Fixed Equipment	(2,160,959)	(81,504)	-	-	(2,242,463)
Movable Equipment	(14,098,718)	(846,038)	-	366,192	(14,578,564)
Total Accumulated Depreciation	(34,850,137)	(2,007,160)	-	366,192	(36,491,105)
Total Depreciable Capital Assets, Net	10,759,014	(582,534)	1,317,770	-	11,494,250
Total Capital Assets, Net	<u>\$ 13,542,998</u>	<u>\$ 710,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,253,029</u>
2016					
	Balance January 1, 2016	Additions	Transfers	Retirements	Balance December 31, 2016
Nondepreciable Capital Assets:					
Land	\$ 1,878,610	\$ -	\$ -	\$ -	\$ 1,878,610
Construction in Progress	80,025	839,801	(14,452)	-	905,374
Total Nondepreciable Capital Assets	1,958,635	839,801	(14,452)	-	2,783,984
Depreciable Capital Assets:					
Land Improvements	1,145,662	-	-	-	1,145,662
Buildings and Improvements	24,524,833	533,960	14,452	-	25,073,245
Fixed Equipment	2,451,553	4,973	-	(9,563)	2,446,963
Movable Equipment	16,012,933	930,348	-	-	16,943,281
Total Depreciable Capital Assets	44,134,981	1,469,281	14,452	(9,563)	45,609,151
Less Accumulated Depreciation:					
Land Improvements	(655,841)	(55,215)	-	-	(711,056)
Buildings and Improvements	(16,731,652)	(1,147,752)	-	-	(17,879,404)
Fixed Equipment	(2,077,410)	(92,575)	-	9,026	(2,160,959)
Movable Equipment	(13,355,601)	(743,117)	-	-	(14,098,718)
Total Accumulated Depreciation	(32,820,504)	(2,038,659)	-	9,026	(34,850,137)
Total Depreciable Capital Assets, Net	11,314,477	(569,378)	14,452	(537)	10,759,014
Total Capital Assets, Net	<u>\$ 13,273,112</u>	<u>\$ 270,423</u>	<u>\$ -</u>	<u>\$ (537)</u>	<u>\$ 13,542,998</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 CAPITAL ASSETS (CONTINUED)

Construction in progress costs at December 31, 2017 relate to miscellaneous projects, including a CT machine, patient room renovations, IT software, walk-in freezer, new trauma room, and routine remodeling. The estimated costs to complete all these projects are approximately \$1,700,000 as of December 31, 2017. The estimated dates of completion range from first quarter of 2018 through the second quarter of 2019. All projects are being funded by the operations of the Hospital.

The Hospital has included equipment under capital lease obligations in capital assets with a cost of \$2,842,289 and \$2,454,999 at December 31, 2017 and 2016, respectively. Amortization expense of \$401,779 and \$345,961 related to this equipment was recorded in depreciation expense for the years ended December 31, 2017 and 2016, respectively. Accumulated amortization for equipment under capital lease obligations was \$2,320,599 and \$1,918,821 at December 31, 2017 and 2016, respectively.

NOTE 5 LONG-TERM DEBT

<u>Description</u>	<u>2017</u>	<u>2016</u>
EvergreenHealth Monroe:		
Limited Tax General Obligation Improvement and Refunding Bonds, 2009, due serially on December 1 in amounts ranging from \$585,000 in 2019 to \$1,765,000 in 2034 with interest due semiannually at rates ranging from 5% to 5.38%, including unamortized discount of \$202,000 and \$213,941 at December 31, 2017 and 2016, respectively. Bonds maturing after December 1, 2018 are subject to redemption at the option of the Hospital on or after December 1, 2018. The bonds are collateralized by the tax levy proceeds.	\$ 17,308,000	\$ 17,296,059
Limited Tax General Obligation Bonds, 2004, due serially on December 1 in amounts ranging from \$450,000 in 2016 to \$535,000 in 2018 with interest due semiannually at rates ranging from 4.1% to 4.5%, including unamortized discount of \$1,974 and \$3,947 at December 31, 2017 and 2016, respectively. Bonds Maturing after December 1, 2014 are subject to redemption at the option of the Hospital after December 31, 2014. The bonds are collateralized by the tax levy proceeds.	533,026	1,021,053

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 LONG-TERM DEBT (CONTINUED)

Description	2017	2016
Capital Lease Obligations, due in monthly payments totaling \$36,370, including interest from 6.7% to 10.51%; collateralized by equipment.	\$ 518,140	\$ 532,187
Total Long-Term Debt	18,359,166	18,849,299
Less: Current Portion	760,602	795,565
Long-Term Debt, Net of Current Portion	\$ 17,598,564	\$ 18,053,734

A schedule of changes in the Hospital's long-term obligations, net of any discounts or premiums, for the years ended December 31, 2017 and 2016 was as follows:

	Beginning Balance January 1, 2017	Additions	Reductions	Ending Balance December 31, 2017	Amounts Due Within One Year
Limited Tax General Obligation Improvement and Refunding Bonds, 2009	\$ 17,510,000	\$ -	\$ -	\$ 17,510,000	\$ -
Limited Tax General Obligation Bonds, 2004	1,025,000	-	(490,000)	535,000	535,000
Capital Lease Obligations	532,187	387,290	(401,337)	518,140	225,602
Subtotal	19,067,187	387,290	(891,337)	18,563,140	760,602
Unamortized Discounts	(217,888)	13,914	-	(203,974)	-
Total Long-Term Debt	\$ 18,849,299	\$ 401,204	\$ (891,337)	\$ 18,359,166	\$ 760,602
	Beginning Balance January 1, 2016	Additions	Reductions	Ending Balance December 31, 2016	Amounts Due Within One Year
Limited Tax General Obligation Improvement and Refunding Bonds, 2009	\$ 17,510,000	\$ -	\$ -	\$ 17,510,000	\$ -
Limited Tax General Obligation Bonds, 2004	1,475,000	-	(450,000)	1,025,000	490,000
Capital Lease Obligations	884,566	-	(352,379)	532,187	305,565
Subtotal	19,869,566	-	(802,379)	19,067,187	795,565
Unamortized Discounts	(231,803)	13,915	-	(217,888)	-
Total Long-Term Debt	\$ 19,637,763	\$ 13,915	\$ (802,379)	\$ 18,849,299	\$ 795,565

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 LONG-TERM DEBT (CONTINUED)

Scheduled principal and interest repayments on the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 535,000	\$ 929,675
2019	585,000	905,600
2020	635,000	876,350
2021	690,000	844,600
2022	745,000	810,100
2023-2027	4,710,000	3,428,250
2028-2032	6,730,000	2,035,013
2033-2034	3,415,000	278,425
Total	<u>18,045,000</u>	<u>\$ 10,108,013</u>
Less: Amount Representing Net Unamortized Bond Discounts	(203,974)	
Total	<u>\$ 17,841,026</u>	

Scheduled principal and interest repayments on capital lease obligations are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 225,602
2019	89,684
2020	88,929
2021	84,555
2022	84,555
Total	<u>573,325</u>
Less: Amount Representing Interest	55,185
Present Value of Capital Lease Payments	<u>\$ 518,140</u>

NOTE 6 LINE OF CREDIT

The Hospital obtained a \$1,000,000 short-term line of credit with Coastal Community Bank on November 1, 2016. The interest rate on the line of credit is equal to *The Wall Street Journal* prime interest rate plus 1.50%. The interest rate on the line of credit was 5.25% at December 31, 2017. The line of credit is unsecured. The outstanding balance on the line was \$-0- at December 31, 2017 and 2016, respectively. The line of credit was renewed in January 2018. The line of credit matures in May 2019 and the borrowing limit was increased to \$1,500,000.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Public Employees Benefits Board (PEBB) was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees and their dependents. Hospital employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

The PEBB plan offers a subsidized retirement coverage to its plan participants and the Hospital can terminate medical insurance with no future obligation or liability to PEBB or its retirees.

The subsidies provided by PEBB to the Hospital include the following:

- Explicit Medical Subsidy for Post-65 Retirees and Spouses
- Implicit Medical Subsidy
- Implicit Dental Subsidy

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$150 or 50% of the monthly premiums. As of January 1, 2019, the subsidy will be increased to \$168 per month. The retirees and spouses currently pay the premium minus \$150 when the premium is over \$300 per month and pay half the premium when the premium is lower than \$300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Funding Policy

The funding policy is based upon pay-as-you-go financing requirements.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

The components of the net OPEB liability of the Hospital at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Total OPEB Liability	\$ 6,082,811	\$ 5,099,004
Plan Fiduciary Net Position	-	-
Hospital's Net OPEB Liability	<u>\$ 6,082,811</u>	<u>\$ 5,099,004</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0%	0%

The changes in net OPEB liability for the year ended December 31, 2017 is as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance - December 31, 2016	\$ 5,099,004	\$ -	\$ 5,099,004
Changes for the Year:			
Service Cost	408,009	-	408,009
Interest on Total OPEB Liability	207,408	-	207,408
Effect on Plan Changes	-	-	-
Effect on Economic/Demographic Gains or Losses	-	-	-
Effect on Assumptions Changes or Inputs	408,891	-	408,891
Expected Benefits Payments	<u>(40,501)</u>	<u>-</u>	<u>(40,501)</u>
Net Changes	<u>983,807</u>	<u>-</u>	<u>983,807</u>
Balance - December 31, 2017	<u>\$ 6,082,811</u>	<u>\$ -</u>	<u>\$ 6,082,811</u>

The following presents the net OPEB liability of the Hospital, as well as what the Hospital's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
December 31, 2017	2.44%	3.44%	4.44%
Net OPEB Liability	<u>\$ 7,521,428</u>	<u>\$ 6,082,811</u>	<u>\$ 4,975,517</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

The changes in net OPEB liability for the year ended December 31, 2016 is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance - December 31, 2015	\$ 4,755,329	\$ -	\$ 4,755,329
Changes for the Year:			
Service Cost	418,128	-	418,128
Interest on Total OPEB Liability	184,098	-	184,098
Effect on Plan Changes	-	-	-
Effect on Economic/Demographic Gains or Losses	-	-	-
Effect on Assumptions Changes or Inputs	(225,034)	-	(225,034)
Expected Benefits Payments	(33,517)	-	(33,517)
Net Changes	<u>343,675</u>	<u>-</u>	<u>343,675</u>
Balance - December 31, 2016	<u>\$ 5,099,004</u>	<u>\$ -</u>	<u>\$ 5,099,004</u>

The following presents the net OPEB liability of the Hospital, as well as what the Hospital's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease 2.78%	Discount Rate 3.78%	1% Increase 4.78%
December 31, 2016	<u>2.78%</u>	<u>3.78%</u>	<u>4.78%</u>
Net OPEB Liability	<u>\$ 6,291,041</u>	<u>\$ 5,099,004</u>	<u>\$ 4,179,240</u>

For the years ended December 31, 2017 and 2016, the Hospital recognized OPEB expenses of \$635,187 and \$578,029, respectively. At December 31, 2017, the Hospital report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Change of Assumptions or Inputs	364,924	(176,640)
Total	<u>\$ 364,924</u>	<u>\$ (176,640)</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

At December 31, 2016, the Hospital report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Change of Assumptions or Inputs	-	(200,837)
Total	<u>\$ -</u>	<u>\$ (200,837)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>December 31,</u>	<u>Future Recognition</u>
2018	\$ 19,770
2019	19,770
2020	19,770
2021	19,770
2022	19,770
Thereafter	89,434
Total	<u>\$ 188,284</u>

Actuarial Assumptions and Cost Method

Based on the implementation of GASB 75, the actuarial cost method used was the Entry Age Actuarial cost method on a level percentage of projected salary.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Price Inflation	3.00%
Salary Increases	3.75%
Discount Rate	3.44%
Health Care Trend Rates	6.80%
	decreasing to 5.60% over 8 years

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Cost Method (Continued)

Mortality rates were based on the assumptions from the 2017 actuarial valuation for Washington State PERS (RP-2000 base mortality table, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB).

Discount rate is used to reflect the time value of money. Discount rates are used in determining the present value as of the valuation date of future cash flows currently expected to be required to satisfy the postretirement benefit obligation

Economic/demographic gains/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Funded Status and Funding Progress

As of December 31, 2017, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$6,082,811 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$6,082,811. The covered payroll was \$21,847,523 and the ratio of the UAAL to the covered payroll was 27.84%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 PATIENT SERVICE REVENUES

The Hospital has arrangements with third-party payors that reimburse the Hospital for patient services at amounts different from standard charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at predetermined specific rates for each hospital discharge. Discharges are classified according to a list of diagnosis-related groups (DRGs). Each DRG has a payment weight assigned to it, based on the average resources used to treat Medicare patients in that DRG. The Hospital's classification of DRGs and the appropriateness of their admission are subject to an independent review by a peer review organization.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 PATIENT SERVICE REVENUES (CONTINUED)

Medicare (Continued)

Most outpatient services to Medicare beneficiaries are paid prospectively based on ambulatory payment classifications (APCs). Net revenue billed under Medicare totaled approximately \$11,653,000 and \$11,571,000 for the years ended December 31, 2017 and 2016, respectively.

The Hospital's cost reports have been reviewed and/or audited by the Medicare fiscal intermediary through 2013. Third-party settlements are accrued on an estimated basis in the period the services are rendered and adjusted in future periods, as final settlements are received. For the year ended December 31, 2017, net patient service revenue increased by approximately \$1,527,000, due to removal of allowances previously estimated that are no longer considered necessary as a result of change in estimates or final settlements and years that are no longer subject to audits, reviews, and investigations.

Medicaid

The inpatient Medicaid reimbursement methodology for all noncritical access Washington State governmental hospitals is titled "Certified Public Expenditures." The estimated costs for inpatient care are calculated as a ratio of cost to charges from a base year (two years before the service year). Under the program, the Hospital will be reimbursed the higher of the full cost of service or "baseline" reimbursement that would have been received based on the inpatient payment system in place prior to this program. Outpatient services are paid on a percentage of allowed charges based on a ratio of the Hospital's operating expenses to total revenue for outpatient services. Net revenue billed under the Medicaid program totaled approximately \$5,167,000 and \$5,502,000 for the years ended December 31, 2017 and 2016, respectively.

The Hospital recorded a liability in 2013 due to overpayments of the CPE program received by Medicaid for amounts of approximately \$1,520,700 as of the state fiscal year ended 2013. Beginning in July 2014, the Hospital is scheduled to make four pro rata quarterly payments. The Hospital paid off the overpayments during 2016.

Other Third-Party Payor Arrangements

The Hospital has entered into payment agreements with certain commercial insurance companies. Payment under these agreements includes prospectively determined rates and discounts from standard charges.

Patient accounts receivable, including amounts due from third-party payors, are unsecured and arise from services provided to individuals geographically concentrated in Monroe, Washington, and the surrounding communities.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 PATIENT SERVICE REVENUES (CONTINUED)

Other Third-Party Payor Arrangements (Continued)

The following are the components of net patient service revenue for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Gross Patient Service Revenue	\$ 120,415,294	\$ 114,991,434
Adjustments to Patient Service Revenue:		
Contractual Discounts	73,258,885	69,448,672
Provision for Bad Debts	4,797,015	4,763,442
Charity Care	<u>586,514</u>	<u>318,107</u>
Net Patient Service Revenue	<u>\$ 41,772,880</u>	<u>\$ 40,461,213</u>

NOTE 9 PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the Hospital by the County Treasurer.

The Hospital is permitted by law to levy up to \$0.75 per \$1,000 of assessed valuation for general Hospital purposes. The Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The Hospital may also levy taxes at a lower rate. Further amounts of tax need to be authorized by a vote of the people.

For 2017 and 2016, the Hospital's regular tax levy was \$0.30 and \$0.32 per \$1,000 on a total assessed valuation of \$14,779,649,751 and \$13,491,962,095, for a total regular levy of \$4,406,905 and \$4,309,654, respectively.

Property taxes are recorded as receivables when levied. Because state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made. Property taxes receivable of \$127,593 and \$139,644 were included in other receivables at December 31, 2017 and 2016, respectively.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10 EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Hospital sponsors a defined contribution plan, administered by Massachusetts Mutual Life Insurance Company, in accordance with Internal Revenue Code (IRC) Section 401(a) covering substantially all qualified employees. Plan provisions and contribution requirements are established by the Hospital and may be amended by the Hospital's board of commissioners. Active participants meeting hourly and employee contribution criteria receive an employer matching contribution based on a percentage of the employees' base salary, subject to certain limitations. The employer contribution fully vests upon completion of four qualified years, or upon the occurrence of death, disability, or attainment of age 65 for qualified employees. Vesting retroactively accelerates 20% per qualified year for individuals involved in a reduction in force. Forfeited contributions, if any, are applied against future employer obligations.

The Hospital's liability under the plan is limited to its annual contribution. It is the Hospital's policy to fund current pension costs accrued under the plan. Contributions to the plan charged to operations amounted to approximately \$480,000 in 2017 and \$385,000 in 2016. Contributions made by employees to the benefit plan totaled approximately \$1,195,000 in 2017 and \$1,003,000 in 2016.

The Hospital has a deferred compensation plan created in accordance with IRC Section 457 (the 457 Plan). The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For more information on the 457 Plan, contact the Hospital's human resources office.

NOTE 11 LEASES

The Hospital leases operating space and miscellaneous equipment under operating leases expiring at various dates through 2024. Rental expense under all operating leases for the years ended December 31, 2017 and 2016 was approximately \$1,170,000 and \$1,249,000, respectively.

Future minimum lease payments under noncancelable operating leases for the years ending December 31 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 834,554
2019	764,093
2020	744,538
2021	750,498
2022	756,572
2023-2026	3,083,991
Total	<u>\$ 6,934,246</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 12 COMMITMENTS

Compliance with Laws and Regulations

The Hospital is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. The Hospital has implemented a voluntary corporate compliance program that includes guidance for all Hospital employees' adherence to applicable laws and regulations. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Hospital's future financial position or results of operations.

Risk Management

The Hospital 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; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters and no claims have exceeded such coverage during any of the past three years.

The Hospital has purchased claims-based liability insurance coverage that covers only asserted malpractice claims. The Hospital recognizes expenses associated with reported claims and estimated claims incurred but not reported in the period in which the incidents are estimated to have occurred, rather than when a claim is asserted.

NOTE 13 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2017, the Hospital had a total of approximately 397 employees. Of this total, 322 employees are covered by collective bargaining agreements. There are three collective bargaining agreements; one which ratified a new agreement as of April 3, 2018 and extends through June 2019; labor agreements with the other two bargaining units are still being renegotiated.

NOTE 14 OPERATIONS

During the years ended December 31, 2017 and 2016, the Hospital reported an excess (deficit) of revenues over expenses of (\$497,325) and \$568,940, respectively. At December 31, 2017 and 2016, the Hospital had a negative net position of \$9,869,485 and \$9,580,759, respectively. Current assets exceed total current liabilities by \$1,319,447 as of December 31, 2017.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 14 OPERATIONS (CONTINUED)

The board of commissioners and management are focusing their efforts to maintain the financial stability by closely monitoring cash flow, which includes limiting expenses and expenditures, seeking additional revenue opportunities, and monitoring third-party payor reimbursement. To support these efforts the Hospital has entered into an affiliation (see Note 15).

NOTE 15 RELATED PARTY AFFILIATION

In response to the financial position of the Hospital discussed in Note 13 above, the Hospital's board of commissioners and management recognized that alignment with a larger health care provider was a key component for the Hospital's future viability. The pursuit of a strategic partnership that began in early 2011, and included the evaluation of several alternatives, ultimately resulted in an affiliation with King County Public Hospital District No. 2 dba: EvergreenHealth in December 2012.

Under the terms of this affiliation, the Public Hospital District No. 1, Snohomish County Board continues to exist but with limited governing rights. Benefits to the District and Hospital include clinical services to be offered by EvergreenHealth on the EvergreenHealth Monroe campus, access to tertiary services offered at the EvergreenHealth campus, consultative and management services by EvergreenHealth to help the Hospital stabilize operations and improve clinical and financial performance, and economies of scale to improve the Hospital's cost structure. An Alliance Governance Board (AGB), consisting of two commissioners from EvergreenHealth, two commissioners from EvergreenHealth Monroe and the CEO of EvergreenHealth, has been established and provides oversight and direction to the Hospital.

The related parties were involved in various transactions during the years ended December 31, 2017 and 2016. Following is a summary of related party transactions in 2017 and 2016:

Related Party Transactions Summary:	2017	2016
Shared Employees Compensation and Benefits	\$ 1,692,314	\$ 1,681,149
Clinic Subsidy	1,000,000	988,000
Contracted Labor	385,416	574,507
Marketing	87,298	81,657
Fixed Assets	166,482	22,231
Total Related Party Transactions	\$ 3,331,510	\$ 3,347,544

The related party shared various employees during 2017 and 2016 for the Hospital's use. Amounts incurred for these services were reported as purchased services with the exceptions of the fixed assets transactions which were capitalized as capital assets.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 15 RELATED PARTY AFFILIATION (CONTINUED)

Following is a breakout of the related party payable as of December 31:

Related Party Payable Summary:	2017	2016
Shared Employees Compensation and Benefits	\$ 1,731,921	\$ 1,220,375
Clinic Subsidy	1,988,000	988,000
Operations Support	617,287	-
Prepaid Rent	309,230	309,230
Contracted Labor	159,260	169,973
Miscellaneous	155,774	81,657
Fixed Assets	-	22,231
Total Related Party Payable	\$ 4,961,472	\$ 2,791,466

The breakout of short and long-term related party payable as of December 31 is as follows:

Related Party Payable Summary:	2017	2016
Short-Term Portion	\$ 2,973,472	\$ 1,803,466
Long-Term Portion	1,988,000	988,000
Total Related Party Payable	\$ 4,961,472	\$ 2,791,466

The Hospital leased medical office space to the related party during 2017 and 2016 (see Note 1).

NOTE 16 FAIRFAX BEHAVIORAL HEALTH

Lease Agreement

Fairfax Behavioral Health (Fairfax), a 34-bed Psychiatric Unit, rents approximately 16,000 square feet of space located on the first and second floors of the building located at 14701 179th Avenue SE, Monroe, Washington. The effective date of the lease was April 1, 2015. The term of the lease is 10 years with the option to extend it for up to two periods of five years each.

Purchased Services Agreement

Fairfax and the Hospital have also entered into a purchased services agreement under which the Hospital is to provide: emergency department services, outpatient clinical services, hospitalist services, physician services, medical staff, ancillary services, employee leasing, information technology, marketing and communications, dietary services, housekeeping services, and other operational services. The effective date of the agreement was April 2, 2015. The term of the lease is 10 years with the option to extend it for up to two periods of five years each.

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 16 FAIRFAX BEHAVIORAL HEALTH (CONTINUED)

Purchased Services Agreement (Continued)

For the years ended December 31, 2017 and 2016, EHM recognized approximately \$787,000 and \$782,000, respectively, of revenue for lease and purchased services provided to Fairfax. This revenue is recorded as other operating revenue in the statement of revenues, expenses, and changes in net assets. Fairfax owed approximately \$487,000 and \$537,000 to the Hospital for purchased services provided at December 31, 2017 and 2016, respectively. This receivable is recorded as other receivables in the statement of net position. Management believes that the receivable represents the net realizable value of the amount it expects to collect from Fairfax.

NOTE 17 PRIOR PERIOD ADJUSTMENT

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was retrospectively implemented as of January 1, 2016. The changes in the Hospital's net position and revenue, expenses and changes in net position as a result of the retrospective application of GASB Statement No. 75 are presented in the following tables:

	<u>As Previously Stated</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets	\$ 8,877,970	\$ -	\$ 8,877,970
Capital Assets, Net	13,542,998	-	13,542,998
Deferred Outflows of Resources	<u>78,260</u>	<u>-</u>	<u>78,260</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 22,499,228</u>	<u>\$ -</u>	<u>\$ 22,499,228</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities	\$ 7,738,412	\$ -	\$ 7,738,412
Noncurrent Liabilities	19,041,734	5,099,004	24,140,738
Deferred Inflows of Resources	-	200,837	200,837
Net Position	<u>(4,280,918)</u>	<u>(5,299,841)</u>	<u>(9,580,759)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 22,499,228</u>	<u>\$ -</u>	<u>\$ 22,499,228</u>
OPERATING LOSS			
Total Operating Revenues	\$ 43,036,588	\$ -	\$ 43,036,588
Total Operating Expenses	<u>45,234,548</u>	<u>544,512</u>	<u>45,779,060</u>
Operating Loss	<u>\$ (2,197,960)</u>	<u>\$ (544,512)</u>	<u>\$ (2,742,472)</u>

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
DECEMBER 31, 2017

Total OPEB Liability	
Service Cost	\$ 408,009
Interest on Total OPEB Liability	207,408
Effect on Plan Changes	-
Effect on Economic/Demographic Gains or Losses	-
Effect on Assumptions Changes or Inputs	408,891
Expected Benefit Payments	(40,501)
Net Change in Total OPEB Liability	<u>983,807</u>
Total OPEB Liability - Beginning	<u>5,099,004</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 6,082,811</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ -
Net Investment Income	-
Benefit Payments	-
Administrative Expense	-
Net Change in Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ -</u></u>
Hospital's Net OPEB Liability - (a) - (b)	\$ 6,082,811
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-Employee Payroll	21,847,523
Hospital's Net OPEB Liability as a Percentage of Covered-Employee Payroll	27.84%

PUBLIC HOSPITAL DISTRICT NO. 1, SNOHOMISH COUNTY, WASHINGTON
DBA: EVERGREENHEALTH MONROE
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
DECEMBER 31, 2016

Total OPEB Liability	
Service Cost	\$ 418,128
Interest on Total OPEB Liability	184,098
Effect on Plan Changes	-
Effect on Economic/Demographic Gains or Losses	-
Effect on Assumptions Changes or Inputs	(225,034)
Expected Benefit Payments	(33,517)
Net Change in Total OPEB Liability	<u>343,675</u>
Total OPEB Liability - Beginning	<u>4,755,329</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 5,099,004</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ -
Net Investment Income	-
Benefit Payments	-
Administrative Expense	-
Net Change in Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ -</u></u>
Hospital's Net OPEB Liability - (a) - (b)	\$ 5,099,004
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-Employee Payroll	20,517,868
Hospital's Net OPEB Liability as a Percentage of Covered-Employee Payroll	24.85%