



**SPECIAL MEETING OF THE BOARD OF DIRECTORS**  
**MEETING MINUTES**

AGENDA ITEM	DISCUSSIONS/CONCLUSIONS	ACTIONS/FOLLOW-UP/ RESPONSIBLE PARTY
<b>PRESENT AT MEETING:</b>	<p><b>Board Members:</b> Ken Cutler, M.D., President; Roger Kahn, Vice President; Larry Long, Secretary; John Mohun, Treasurer; Karen Sessler, M.D., Board Member</p> <p><b>Staff:</b> Bob Schapper, CEO; Virginia Razo, PharmD, COO; Crystal Betts, CFO; Judy Newland, RN, IVCH Director of Operations, Chief Nursing Officer; Paige Thomason, Director, Marketing &amp; Communications; Jaye Chasseur, Controller; Jeanne McAuliffe, Executive Assistant</p> <p><b>Others Present:</b> Gaylan Larson; Matson And Isom Auditors: Marilyn Everett; Karli Olsen</p>	
1. <b>Call to Order</b>	Dr. Cutler called the meeting to order at 3:05 p.m.	
2. <b>Roll Call</b>	All Board Members were present.	
3. <b>Clear the Agenda/Items Not On the Posted Agenda</b>	The agenda was cleared. There were no changes to the agenda as posted.	
4. <b>Input -- Audience Employee Associations</b>	Audience input was sought, but none was offered. No Employee Association representatives were present.	
5. <b>Presentation of 2011/2012 Annual Audit Report</b>	<p>Ms. Betts stated:</p> <ul style="list-style-type: none"> <li>• Marilyn Everett from Matson And Isom, the partner in charge of the audit this year met with Finance Committee this morning;</li> <li>• Finance Committee went over the Audited Financial Report in detail;</li> </ul> <p>Ms. Everett introduced Karli Olsen, who is the Supervising Senior Staff member who assisted with the audit and reported:</p> <ul style="list-style-type: none"> <li>• This afternoon's meeting will be a high level overview;</li> <li>• Page 18 of the Financial Statements, which is the Statements of Revenues, Expenses and Changes in Net Assets and reviewed, highlights as follows:                             <ul style="list-style-type: none"> <li>✓ Operating Revenues were reviewed. The District was</li> </ul> </li> </ul>	



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	<p>commended for revenue generated;</p> <ul style="list-style-type: none"> <li>✓ Operating Expenses were reviewed and explained;</li> <li>✓ Nonoperating Income (Expense) was reviewed and explained;</li> <li>✓ She explained the interest expense line item;</li> <li>✓ The change in net assets;</li> <li>✓ Again, she commended the District for generating a profit, most facilities are not generating a profit;</li> <li>✓ You are being great stewards of the District and the Facility;</li> </ul> <ul style="list-style-type: none"> <li>• Page 16, the operations generated a profit, which helps with assets, which were reviewed, highlights as follows: <ul style="list-style-type: none"> <li>✓ Patient accounts receivable is a net \$16 million, which has been adjusted for bad debt, this is what is expected to be collected;</li> <li>✓ There is \$41 million in Current Assets</li> <li>✓ Investment in joint venture, is the surgery center; \$4.4 million;</li> <li>✓ Capital Assets Net is the investment in property, capital and equipment is at \$125,882,519</li> <li>✓ Total assets of \$234 million versus \$224 million the prior year;</li> </ul> </li> <li>• Page 17, Liabilities was reviewed, highlights as follows: <ul style="list-style-type: none"> <li>✓ Current liabilities are mostly due to the construction invoices;</li> <li>✓ Total Net Assets is \$101 million;</li> <li>✓ Investors look at net assets and the investors of the District is the community;</li> <li>✓ Many of the hospitals the firm works with are going through system conversions and have not dropped a bill</li> </ul> </li> </ul>	



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	<p>for four months and they are struggling;</p> <ul style="list-style-type: none"> <li>✓ Total Liabilities and Net Assets is at \$234 million;</li> <li>• The bottom line is that the District is in a very good financial position and it is quite a legacy for the community;</li> <li>• Page 1 of the Independent Auditor's Report was reviewed;</li> <li>• The third paragraph was pointed out that these financial statements do not include financial data for the District's separate component units;</li> <li>• The last paragraph states that this is a clean opinion, no adjustments were made;</li> <li>• On page 4, stated that the Auditor's job is to ensure that the audit is consistent with the Management's Discussion and Analysis and it is;</li> <li>• You have positioned yourselves in such a way that you're prepared to face the challenges that are ahead;</li> <li>• A question was asked in Finance Committee about how many Critical Access hospitals there are. In the Nation there are 1,330, in the far western region there are 275 Critical Access Hospitals and Tahoe Forest is in the top 100;</li> <li>• She pointed out some footnotes, starting on page 21, page 22, new footnote in the middle of the page which talks about <i>Advances to Related Party</i> which relates to the Institute;;</li> <li>• Page 30, Capital Assets is the investment in the facility;</li> <li>• Page 31, a new disclosure concerning the Construction Projects and expenditures;</li> <li>• Page 40, note 13 is the information about the Foundations. These are the component units that were talked about in the opinion;</li> <li>• Page 41, note 14 is information about the joint venture with the Surgery Center;</li> </ul>	



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	<ul style="list-style-type: none"> <li>• She asked if there were any questions;</li> <li>• A question was asked and discussion ensued about the accumulated depreciation on page 30;</li> <li>• Mr. Kahn asked Ms. Everett to explain to the audience the note about the component units and why they aren't included in our Financial Statements;</li> <li>• Ms. Betts stated that the reason for this if the Foundations are included in the Audited Financials it skews the numbers, we would be showing the endowments, pledges would all get layered in to the hospital operations. We felt that the revenues of the two hospitals are cleaner by not incorporating the endowments, pledges, etc. from the Foundation. It is important to have audited financials of each Foundation and the District in order it is clear; It is important to understand the relationship between the two Foundations and the District, but the financial wellbeing of each entity should be reflected separately;</li> <li>• Ms. Everett stated that the reason for this law is because of Public Universities that were crying poor and had these huge Foundations with a lot of money. So the law was made that either the Foundations needed to be included or a statement made that they weren't;</li> <li>• A Hospital Financial Ratio graph was distributed and explained;                         <ul style="list-style-type: none"> <li>✓ People always ask, how our hospital is doing compared to others and that is what this graph shows;</li> <li>✓ She reviewed the graph, Liquidity Ratios, Leverage Ratios, Profitability Ratios in most areas the District is doing very well;</li> <li>✓ The other sources information is not 2012 numbers, but</li> </ul> </li> </ul>	



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	<p>are, about two years behind and are 2010 numbers;</p> <ul style="list-style-type: none"> <li>✓ A question was asked and explained about how to determine how well we're doing in 2012 when comparing it to 2010 numbers. Ms. Betts responded that it is best to use TFHD's 2010 numbers for comparison;</li> <li>✓ Ms. Betts reminded the Board that this debt information includes the General Obligation Bond. Because the GO Bond is paid by property tax generated dollars. TFHD doesn't really have that high of debt;</li> <li>✓ Mr. Kahn stated that Ms. Betts will generate a document showing the various ratios with and without GO Bond debt included;</li> </ul> <ul style="list-style-type: none"> <li>• Mr. Mohun stated that once again the Team has done such a great job, considering no adjustments done. Good job!</li> <li>• Ms. Everett touched on the Report to the Board of Directors, which is a required document; On page 2, she explained that there were no disagreements with Management; if they had run across any issues, another letter is used to highlight any internal control deficiencies that arose during the audit. There isn't one because there weren't any; Also part of their responsibility is to ensure that the Financial Statements are up to compliance with the current standards;</li> <li>• A discussion was held in Finance Committee because members of the COC have requested this letter SAS 112 is what it is called and routinely they ask to see this report and routinely she tells them we don't have one. In the last eight years, there was only one SAS 112 report and that was three years ago; We have rock solid controls in place; Mr. Kahn asked Ms. Everett to write a letter stating that there isn't any issues to report on an SAS 112, in the event</li> </ul>	



DATED: 10/30/12

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	<ul style="list-style-type: none"> <li>• Dr. Cutler asked about the Uncorrected and Corrected Misstatements. Ms. Betts explained that this is a disclosure that the State of California took money (Prop 1 A) in order to balance the budget, but this was never recorded in the event we never receive this money back.</li> <li>• Ms. Everett stated that on page 1 of the audited financial statements, the last paragraph states that this is a clean audit and staff has done a very good job of preparing these financial statements and auditors didn't have to change a thing.</li> </ul>	
	<p>The meeting adjourned at 3:55 p.m.</p>	

jlm