TEHACHAPI VALLEY HEALTHCARE DISTRICT
BOARD OF DIRECTORS MEETING

Date: January 21, 2020
Place: Tehachapi Valley Healthcare District Office
305 S. Robinson Street
Tehachapi, CA 93561
Time: 4:30 p.m.
Director William Steele attending via teleconference from Memphis City (Hooks) Library Conference Center, 3030 Poplar Ave., Memphis, TN 38111 424-645-9372

AGENDA

I. CALL TO ORDER

II. FLAG SALUTE

III. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

This time is reserved for persons to address the Board of Directors on matters not on the agenda over which the District has jurisdiction. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation. Any person desiring to speak on an item on the agenda will be given an opportunity to do so prior to the Board of Directors acting on the item.

IV. CONSENT AGENDA

The following items are considered routine and non-controversial by District Staff and may be approved by one motion. If a member of the Board or audience wishes to comment or ask questions on an item, it will be moved to New Business or Reports.

A. Approval of Minutes

Finance, 12/11/19, Receive and File	Tab 1
Strategic Planning, 11/14/19, Receive and File	Tab 2
Board Meeting, 12/17/19	Tab 3

B. Agreements, Amendments, Contracts

Approval of CFW Advisory Services Agreement	Tab 4

V. REPORTS

Chief Financial Officer Report	Tab 5
District Manager Report	Tab 6

VI. NEW BUSINESS

None

VII. OLD BUSINESS

RFP for Architectural/Engineering Services	Tab 7

Posted 1/17/20
By: C. Wasielewski

VIII. BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

IX. ADJOURNMENT

NOTICE TO THE PUBLIC

PUBLIC COMMENT PERIOD FOR REGULAR MEETINGS
Members of the public may comment on any item on the agenda before the Board takes action on it. The public may also comment on items of interest to the public that is within the subject matter jurisdiction of the Board; provided, however, the Board may not take action on any item not appearing on the agenda unless the action is otherwise authorized by law. Any person addressing the Board will be limited to a maximum of three (3) minutes so that all interested parties have an opportunity to speak.

COPIES OF PUBLIC RECORDS
All writings, materials, and information provided to the Board for their consideration relating to any open session agenda item of the meeting are available for public inspection and copying during regular business hours at the Administration Office of the District at 305 S. Robinson St., Tehachapi, California.

COMPLIANCE WITH ADA
This agenda shall be made available upon request in alternative formats to persons with a disability, as required by the Americans with Disabilities Act of 1990 (42 U.S.C. § 12132) and the Ralph M. Brown Act (Cal. Gov't Cod. § 54954.2). Persons requesting a disability related modification or accommodation in order to participate in the meeting, should contact the Executive Office during regular business hours by phone at 661-750-4848, or in person at the District's Administrative Office at 305 S. Robinson St., Tehachapi, California.

Posted 1/17/20
By: C. Wasielewski

TEHACHAPI VALLEY HEALTHCARE DISTRICT
FINANCE COMMITTEE MINUTES
December 11, 2019
TVHD District Office
305 S. Robinson Street
12:30pm

Board Members Present:	Duane Moats, Sam Conklin
Staff Present:	Chet Beedle, CFO; Lisa Hughes, Business Manager; Caroline Wasielewski, Compliance Officer, District Manager
Transcribed by:	Recorded and Transcribed by: Caroline Wasielewski, District Manager

Approval: ______________________________ **Date:** ________________
Duane Moats, Chair

COMMITTEE ACTIONS AND DIRECTION SHOWN IN CAPS AND BOLD

I. **Call to Order**
Duane Moats called the Finance Committee meeting to order at 12:30 pm.

II. **Public Comments on Items Not Appearing on the Agenda**
None.

III. **Approval of Minutes**

A. Approval of October 9, 2019 Finance Committee Minutes

MSA CONKLIN/MOATS; APPROVED

IV. **Reports**
A. Finance Reports for October 2019

1. <u>October 2019 Variance Analysis</u>
The committee reviewed report. Mr. Moats asked about the $50k from IGT account. Mr. Beedle explained the IGT money is held in construction account and receivable decreased by $48,819. MR. Beedle was concerned with a negative receivable. He assured the committee that the draft audit report should be available for the January Finance meeting. Mr. Moats commented the amount on page 6 due to AH does not match the Withhold Report. Mr. Beedle noted it is because he is current until the end of November.

2. <u>AH/Tehachapi Collections and Withholds Due Report</u>
Mr. Beedle explained the report as a summary of reconciliation between Adventist Health and TVHD. It is current until the end of November 2019.

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3. October 2019 Cash Flow
The committee reviewed the report in packet. It shows operating income only. There is no LAIF. The other expense is because an insurance payment came due. The professional fees are the auditor who invoices monthly. $1,086,830 was the Net Cash Balance for October. He reviewed November expectations and actuals as well; Property tax came in, there will be legal and professional fees. November net cash balance = $820,097. Property tax money should be deposited Dec/Jan. CFO Beedle is determined to keep cash at or over $1 million.

4. October 2019 Unaudited Financial Statement
CFO Beedle explained that an audit adjustment caused a negative net operating loss $ (1,277,820). The total net surplus is $155,490 for July, August and September.
Income Statement Summary – The report was in the packet for the committee to review. There was an adjustment. $463,683 = non-operating revenue. $22,313 = Profit. YTD = $177,775.
Executive Financial Summary – Attached for review.
Statement of Revenue and Expense– The report was in the packet. Mr. Beedle explained all the expenses. YTD number show more profit as adjustments were not budgeted.
Balance Sheet- Assets- Attached for review. There was a receivable adjustment of $7,633,7873 from Moss Adams. It was noted that Construction in Progress is no money to fix 115 W E St. building. Total net PPE = $125,944,231.
Liabilities– Attached for review. Mr. Beedle noted accrued payroll is wrong and must be fixed. Notes payable =$28,077,477 (what AH paid to TVHD for hospital completion); $59 million is left on the bonds.

5. October 2019 Monthly Deposit Log Averages (Beedle)
Committee reviewed report in the packet. Mr. Beedle went over each category and noted all categories are decreasing.

6. October 2019 Current Bank Balance Statements (Beedle)
Attached for review. CFO reviewed the balances and explained the sweep account.

V. **Old Business**
None

VI. **New Business**
None

VII. **Board Comments on Business Not Appearing on the Agenda**
None

VIII. **Adjournment**
The meeting adjourned at 1:10 pm.

TEHACHAPI VALLEY HEALTHCARE DISTRICT
STRATEGIC PLANNING COMMITTEE- **SPECIAL**
MINUTES
November 14, 2019
TVHD District Office
305 S. Robinson Street
12:30pm

Board Members Present: Mike Nixon, Christine Sherrill, Sam Conklin, Duane Moats William Steele, attending via teleconference from Memphis City (Hooks) Library Conference Center, 3030 Poplar Ave., Memphis, TN 424-645-9372

Staff Present: Chet Beedle, CFO; Lisa Hughes, Business Manager; Caroline Wasielewski, District Manager.

Transcribed by: Recorded and Transcribed by Caroline Wasielewski, District Manager

Approval: ______________________ **Date:** ________________________
Mike Nixon, Chair

COMMITTEE ACTIONS AND DIRECTION SHOWN IN CAPS AND BOLD

I. **CALL TO ORDER**
Mike Nixon called the Special Strategic Planning Committee meeting to order at 12:31 pm.

II. **PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**
None.

III. **APPROVAL OF MINUTES**
A. Approval of September 12, 2019 Minutes- approved
MSA; Sherrill/Wasielewski APPROVED

IV. **OLD BUSINESS**
A. Update 115 W E Street
Ms. Wasielewski updated the committee on the status of the building at 115 W E St. The Garland Company is working on an estimate for a metal roof but needs input from a structural engineer. Johnson Controls (JCI) is also working on estimates and evaluations of the current HVAC systems and estimates of a new system that is entirely off the roof structure. JCI approached TVHD about total project control. After some discussion, the Board feels this project is better done in stages. The Board also commented that structural engineering services usually come with the architect.

B. Award of contract for Architectural Services at 115 W E St.
After the Board reviewed all three architectural service proposals, a motion was made by Bill Steele to award contract to Studio. RA/ Randy Weinstein. The Board discussed with no issues, and motion was seconded by Christine Sherrill. Board president took a roll call vote and the Board voted all ayes. MSA; STEELE/SHERRILL 5-0

V. NEW BUSINESS

A. Lease Agreement for 101 W E Street.
District Manager Wasielewski reported that Scott Nave will prepare a draft lease for between the Guild and TVHD for 101 W E St. Each Board member will get a copy and a copy will be delivered to the Guild President for review. The Board had previously voted to charge $2500 a month for approximately 4500 square feet of retail space and storage space. The Guild would also be responsible to pay for their utilities and minor maintenance. Ms. Wasielewski reported that the building that used to be Dr. Ruiz office could be up for lease. After discussion of cost savings and more storage space, the Board is interested in leasing it. Mr. Moats advised that the lease be with TVHD and Dr. Ruiz and assigns. It also came up that perhaps Dr. Ruiz would be interested in doing a lease option to buy.

B. **115 W E Street Consultant estimates**
Ms. Wasielewski had nothing to report.

VI. REPORTS

A. **TVHD BUDGETED CASH FLOW PROJECTION**
CFO Beedle reviewed the sheet included in the packet. The cash flow shows construction in progress. LAIF holds major reserves. Wells Fargo is the construction fund. Cash flow is operations only. Mike Nixon commented that if the 115 building was leased out at $1 a sq. foot and the Guild building was leased, it would come to about $230,000 a year. He also spoke about the possibility of selling the 1100 Magellan Drive building to Adventist Health. It would take a few years, and the parcel tax would go away for taxpayers. In the long run TVHD could have near $8 million in the bank after the deal would go through. This could be the vision for the Healthcare District going forward. To focus on the wellness of the community without running a hospital.

VII. Board Comments on Business Not Appearing on the Agenda

Mr. Moats asked how the asbestos was being contained. Ms. Wasielewski explained how is covered and secured. The could always be a risk, but with this course of action, it is lessened. Future plans do include a full abatement of major areas. Dr. Conklin and Mr. Moats asked about real estate and property taxes on the 115 W E St. building. Mr. Beedle explained that a special district does not have to pay property taxes.

VIII. Adjournment

The meeting adjourned at 1:17 pm.

MINUTES
TEHACHAPI VALLEY HEALTHCARE DISTRICT
BOARD OF DIRECTORS MEETING

December 17, 2019
Tehachapi Valley Healthcare District Office
305 S. Robinson St.
Tehachapi, CA 93561
4:30pm

Board Present: Mike Nixon, President; Sam Conklin, Vice-President; Duane Moats, Treasurer; Christine Sherrill, Secretary; William Steele, attending via teleconference from Memphis City (Hooks) Library Conference Center, 3030 Poplar Ave., Memphis , TN 424-645-9372

Staff Present: Lisa Hughes, Business Manager; Caroline Wasielewski, District Manager; Chet Beedle, CFO; Scott Nave, Counsel

I. CALL TO ORDER
President Mike Nixon called the meeting to order at 4:30pm

II. FLAG SALUTE

III. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA
Phyllis Carll, representing the Guild Thrift Store reported that they had a Christmas Party and the store is staying busy with daily sales near $400.

IV. CONSENT AGENDA

A. Approval of Minutes
   a. Finance 11/13/19, Receive and File
   b. Board Meeting, 11/19/19

Consent Agenda Approval, **MSA: CONKLIN/SHERRILL; ROLL CALL; 5-0 APPROVED**

V. REPORTS

A. Chief Financial Officer Report (Beedle)
Mr. Beedle explained the Finance Committee reviewed the reports earlier this month. TVHD reported a $441,370 net operating loss for October 2019. With the non-operating income added in, it becomes $22,213 surplus. There was a $127K adjustment related to Medi-Cal/system audit. Year to date is $431K below budget, but still at positive entry, $177,775. Mr. Beedle reviewed the cash flow report line by line. TVHD made a payment of $178K to DCHS/Medi-Cal. The balance for Nov 2019 ended at $820,097 vs a budgeted amount of $1,059,094.

B. District Manager Report
Caroline Wasielewski gave an update of District activities: website compliance, K&S agreement, strategic planning, and fire sprinkler and extinguisher maintenance. She reminded the Board that Ethics training will happen in 2020. Ms. Wasielewski also urged the Board to take action to repair the roof at 115 W E Street as soon as possible. She also reported that the diesel generator has been looked at and is scheduled filled and maintenance.

VI. NEW BUSINESS

A. 115 W E Street Project Update
The Board received a copy of the Mechanical Assessment Report as created by Johnson Controls. DM Wasielewski urged the Board to review the report and discuss at the Strategic Planning in January 2020. Ms. Wasielewski discussed the lack of sufficient heating and the importance and urgency of fixing the roof leaks.

VII. OLD BUSINESS

None

Board of Director Travel
None

VIII. BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

None

IX. ADJOURNMENT

Meeting adjourned at 4:50 pm

Respectfully,

Christine Sherrill
Secretary

CFW ADVISORY
SERVICES

AGREEMENT FOR
ANNUAL CONTINUING DISCLOSURE AND DEBT REPORTING SERVICES
BY AND BETWEEN

TEHACHAPI VALLEY HEALTHCARE DISTRICT
(HEREINAFTER REFERRED TO AS THE "DISTRICT")

AND
CFW ADVISORY SERVICES, LLC
(HEREINAFTER REFERRED TO AS "CFW")

WHEREAS, in connection with the sale and delivery of certain bonds, notes, certificates, or other municipal obligations (the "Bonds"), the District has made certain undertakings to disclose to the investing public, on a periodic and continuing basis, certain information, as more fully set forth by the provisions of Securities and Exchange Commission Rule 15c2-12, as amended;

WHEREAS, compliance with Continuing Disclosure requirements typically occurs in the form of an Annual Report, which the District may complete itself, contract with a Dissemination Agent to complete, or designate a third-party agent such as CFW, to report on its behalf;

WHEREAS, per California Senate Bill 1029 and Government Code section 8855(k), effective January 1, 2017, state and local issuers are required to submit an annual debt transparency report (ADTR) to the California Debt and Investment Advisory Commission (CDIAC) for any issue of debt for which they have submitted a Report of Final Sale on or after January 21, 2017;

WHEREAS, the District has determined that it cannot provide through its own personnel the services to be performed by CFW under this Contract, the services provided by CFW are exempt from Public Contract Code section 20111, and the District has fully complied with its policies, bylaws, rules, and/or procedures for entering into this Agreement;

WHEREAS, CFW agrees to assist the District as a third-party agent to prepare and file the Continuing Disclosure Annual Report as well as any applicable ADTRs on behalf of the District, as provided in the Scope of Services outlined in Exhibit A;

WHEREAS, CFW and the District recognize that provision of these services is separate from any formal agreement between the District and CFW or its affiliated firm Caldwell Flores Winters, Inc. to provide municipal financial advisory services and may not be construed as such;

NOW THEREFORE, for good and valuable consideration of the covenants set forth herein and other good and valuable consideration, the receipt and adequacy of which is acknowledged by the District and CFW (hereinafter, "Parties"), the Parties agree as follows:

PROVISION OF INFORMATION

1) The District will provide to CFW, and CFW shall be entitled to rely upon, all information regarding the issuance of the bonds, including the final official statement and the District's commitment or undertaking regarding Continuing Disclosure as contained in the resolution authorizing issuance of the Bonds or separate contract or agreement; annual financial information and operating data of the type provided in the final official statement; information concerning the occurrence of an Event or noncompliance with the Rule; and any other information necessary to prepare Continuing Disclosure and ADTR reports
2) The District will provide to CFW, and CFW shall be entitled to rely upon, annual written confirmation of all outstanding Bond issues for which the Issuer has a Continuing Disclosure or ADTR obligation
3) The District will provide to CFW all information required for preparation of the Continuing Disclosure Annual Report and ADTR, including financial information and operating data of the type provided in the final official statement and other information deemed necessary by the District, no later than 2 weeks prior to the date on which each Annual Report or ADTR is due

TERM

While the District is required to comply with Continuing Disclosure and ADTR requirements through the life of the applicable debt, the term of this Agreement shall commence upon execution by an authorized District representative and shall continue through April 30, 2023.

The provisions of this Agreement will include additional municipal bonds and financings issued during the stated term of this Agreement, if such bonds are subject to the Continuing Disclosure and ADTR requirements. In this connection, the District agrees that the District will notify CFW of any municipal bonds and financing issued by the District during any fiscal year of the District during the term of this Agreement, and will provide CFW with such information as shall be necessary in order for CFW to perform the services agreed to herein.

INDEMNIFICATION

The District agrees to hold harmless and to indemnify CFW and its employees, affiliates, officers, directors, and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever, including attorneys' fees and expenses ("Losses and Expenses") that CFW may incur by reason of or in connection with the distribution of information in the disclosure reports in accordance with this Agreement, except to the extent such Losses and Expenses result directly from CFW's willful misconduct or gross negligence in the distribution of such information.

In the event that such Losses and Expenses are attributable to the concurrent negligence or other fault of both the District and CFW, each party shall bear proportionate responsibility for the degree of negligence or other fault attributable to each. Notwithstanding the foregoing, CFW shall not be obligated to contribute any amount hereunder that exceeds the amount of fees previously received by CFW pursuant to this Agreement.

TERMINATION

The District may terminate the contract without cause by providing thirty (30) days written notice of termination. The Parties may also agree to mutually terminate this Contract by written notice.

NOTICES

All notices, demands, requests or approvals to be given under this Agreement shall be given in writing and sent to:

> Tehachapi Valley Healthcare District
> ATTN: Chester Beedle, Chief Financial Officer
> 115 West E Street, PO Box 1900
> Tehachapi, CA 93581
>
> CFW Advisory Services, LLC
> ATTN: Emilio A. Flores, Partner
> 6425 Christie Avenue, Suite 270
> Emeryville, CA 94608

FEE

The fee for preparation and filing of the Continuing Disclosure Annual Report and applicable ADTRs on behalf of the District is $2,500 for the Fiscal Year Ending June 30, 2019, plus any reimbursable expenses for third-party demographic data.

The fee for preparation and filing of the Continuing Disclosure Annual Report and applicable ADTRs on behalf of the District in future years is subject to change based on new and/or retired bond series, calculated using the following methodology: $500 per series of bonds and $250 per series of bonds for any applicable ADTRs, with a minimum fee of $1,500 annually and a maximum fee not to exceed $3,500 annually, plus any reimbursable expenses for third-party demographic data.

Fees are payable within 30 days of receipt of invoice from CFW.

PREVAILING LAW

This Agreement shall be interpreted and shall be governed by California law.

APPROVAL:

In executing this Agreement, persons signing on behalf of CFW or the District represent that each has the authority to do so.

AGREED:

This Agreement is hereby agreed to and executed on this _____ day of ___________ 2020.

______________________________	______________________________
Emilio A. Flores, Partner	Chester Beedle, Chief Financial Officer
CFW Advisory Services, LLC	Tehachapi Valley Healthcare District

EXHIBIT A

SCOPE OF SERVICES

CFW agrees to act as the District's consultant, and the District agrees to appoint CFW as its consultant in connection with the District's Continuing Disclosure and ADTR obligations.

CFW agrees to provide the following scope of work:

1. Compile and review all Continuing Disclosure Certificates (CDCs) to identify requirements on annual basis
2. Request information from the District and third-party services as required for preparation of Continuing Disclosure Annual Report and ADTRs 3 weeks prior to the submission deadline
3. Provide a draft Continuing Disclosure Annual Report 1 week prior to the submission deadline for District review. CFW shall, whenever possible, attempt to consolidate information from separate CDCs into a single Annual Report.
4. Upon approval from the District as to the content and accuracy, post and file the Continuing Disclosure Annual Report on behalf of the District on or before the annual deadline (typically March 30) with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) portal
5. Post any Material Event Notice that may be required, as directed by the District and its legal counsel, including but not limited to:
    a) Principal and interest payment delinquencies
    b) Non-payment related defaults
    c) Unscheduled draws on debt service reserves reflecting financial difficulties
    d) Unscheduled draws on credit enhancements reflecting financial difficulties
    e) Substitution of credit or liquidity providers, or their failure to perform
    f) Adverse tax opinions or events affecting the tax-exempt status of the security
    g) Modifications to rights of security holders
    h) Bond calls
    i) Defeasances
    j) Release, substitution, or sale of property securing repayment of the securities
    k) Rating changes

l) The issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities of the Issuer

m) Tender offers

n) Bankruptcy, insolvency, receivership or similar proceeding

o) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated person or their termination

p) Appointment of a successor or additional trustee or the change of the name of a trustee

q) Noncompliance with the Rule

6. Prepare and annually file ADTR for each applicable District bond or note issuance with CDIAC. The ADTR must include information about debt issued and outstanding and the use of proceeds from debt during the reporting period, including:

    a) Information about debt authorized, including amounts issued, lapsed, and not yet issued at the start and end of the reporting period

    b) Information about debt outstanding, including amount paid during the reporting period and balances at the start and end of the reporting period

    c) Information about debt issued during the reporting period, including proceeds available, amount spent and amount remaining, and purposes for which it was spent

7. Provide the District with notice and confirmation of each successful filing

Tehachapi Valley Healthcare District

Memo

To: Finance Committee

From: Chet Beedle

Date: 1/11/20

Re: Variance Analysis for November 2019

Executive Summary:

The month of November 2019 generated a net profit for the District. We ended the month with a net profit of $122,515.This is mainly due to the posting of general obligation bond taxes into income on a monthly basis since opening the new Hospital rather than at fiscal year-end. In addition, during the month of November, we transferred income from the Wells Fargo bank account to cover payments to Adventist Health Tehachapi Valley for Medi-Cal claims payments that we received in our Bank of the Sierra account. The net profit also includes the amortization of the CIP New Hospital Building and Equipment depreciation as well as Capitalized Interest. The operating expenses, even with the addition of the new hospital interest and depreciation were $14.996 under budget. Also, non-operating income was $23,797 over budget due to the IGT funds transferred from Wells Fargo. There was $0 in property taxes received in October and also $87,233 in reconciliation settlement payments to Adventist Health. In that regard, it must be understood that most of the Medicare and Medi-Cal cost reports from prior fiscal years have now been settled. Also, the inter-governmental supplemental payments for Medi-Cal patients programs could be cancelled with the current federal Administration's repeal attempts of the provisions of the Affordable Care Act or disallowed due to TVHD no longer operating the Hospital. TVHD continues to qualify for the Medi-Cal rate reconciliation for public hospitals from Kern Health Systems, so an annual consideration based upon AHTV Medi-Cal payments for services rendered in the TVHD boundaries is continuing. There was an adjustment to contractual allowances of ($214,626) from prior periods relating to Medi-Cal share of cost adjustments for denied claims. The largest favorable operating variance was $46,565 under budget in depreciation expense due to the interest expense on the GO bonds being shown in the budget with the depreciation expense which allowed the interest expense to be over budget by $59,133. The net effect of these two variance items offset against each other is an unfavorable interest expense variance of $12,568.There was $68,109 in capitalized interest expense amortized for the general obligation bonds for the new Hospital which is close to the accrued monthly interest for the prior months after the new Hospital was opened. We have expense amortized for the general obligation bonds for the new Hospital which is close to the accrued monthly interest for the prior months after the new Hospital was opened. We have worked on the effects of the period of not sending any uncollectible accounts for hard collection, but with the absence of any patient revenue generation and the collection or adjustment of most of our collectible accounts receivable having ended, we are at 64.0% of our outstanding accounts receivables as self-pay, including the installment payment accounts. The goal is to continue to identify and progressively send accounts receivable considered uncollectible to an outside collection agency. As well, effective 2/15/19 we discontinued first using HRG for soft collections to maintain the self-pay level of total receivables as low as possible as we wind down the collection process. With less than 50 accounts remaining with HRG, the TVHD Office staff took over the accounts receivable soft collection process including payment plan accounts. This approach will allow us to continue to meet the needs of the District and community for prior period collections while reducing the cost of collection for the District.

Cash collections were $3,387 over budget due to $8,355 in unbudgeted receipt of AHTV Medi-Cal claims payments being received. The level of collections included Medicare payments being $0 as the budget anticipated Medicare payments and adjustments now falling under Adventist Health Tehachapi Valley. Medi-Cal collections were $12,057 not including Medi-Cal claims payments for AHTV that were deposited into the TVHD operations bank account. Insurance collections were $0 due to receiving no old workers' compensation payments. The recovery of bad debts was $6,784 vs a budget of $4,096. Private pay collections were $579 over budget including hard collections from HP Sears, but no collections from HRG, January 2019 being their last month working TVHD patients' accounts. Ad Valorem property tax receipts in October were $0. TVHD collected $8,355 for Adventist Health Tehachapi claims in October, and paid $87,233 toward the amount charged as interest or penalties on the Medicare withholds from prior periods. Reconciliation efforts have ended on the collection due to the balance remaining from the previous withhold by Adventist Health of TVHD Medi-Cal IGT supplemental payments for claims. There was $50,000 of additional Affordable Care Act outpatient supplemental payments transferred from the construction account during October, and there was receipt of property taxes of $0. There were $0 in additional funds from the ACA supplemental outpatient funds. There was modular building rental received from Kern Valley Healthcare District of $2,000. Total cash disbursements for old Hospital renovation related items were $40. All construction and renovation at the new Hospital has been turned over to AHTV, but work is progressing on what it will take to renovate the old Hospital for District use including rental.

Total cash disbursements were over budget by $70,700 due to the effect of other expense cash disbursements. Cash disbursements for professional fees were under budget by $995 due to the timing and payment of billings received from JWT & Assoc. for the FY 2019 audit. Supplies were over budget by $232 due to more supply needs than anticipated. Disbursements for labor expenses were under budget by $798 due to fewer hours used by the part-timers than anticipated. At this point, TVHD has taken over all on-going billing and collections service with our in-house employees and is no longer relying on the pre-collection service for self-pay patients by HRG, but is still using hard collection by HP Sears. Also, due to the small amount of the payroll expense with only 2.75 FTEs paid, we have not been making and reversing an accrual entry for the third payroll in one month happening every six months when using a bi-weekly payroll system. In addition to the operating residuals, supplemental income sources as allowed by the Affordable Care Act (Obamacare), are positively affecting the cash balance as long as TVHD can qualify and cash receipts are not sent to Adventist Health Tehachapi who will deposit them into their bank account. Care needs to be taken to integrate some of these funds, when received, to strengthen emergency funds to meet new service or old hospital building repair requirements and negative cost reporting settlements, if any, so that cash reserves for District expenses are properly maintained and disbursement of these reserves follow a Board approval of any request for wellness funds, equipment donation to AHTV or other local charitable healthcare services, as well as old Hospital repair and/or renovation expenses or the sharing of building improvements with a renter.

Cash disbursements for renovation, equipment and legal settlements were $40 in October. The continued receipt of Medi-Cal IGT supplemental payments has allowed the District to transfer funds to the Local Agency Investment Fund (LAIF) with the State Treasurer's office for investment purposes while still maintaining some funded depreciation for potential future new and old Hospital building repairs and improvements if necessary. There was $0 for investment transferred during October. We disbursed $40 for the renovation of the old Hospital building, and there was a payment of $87,233 to reimburse AHTV Medicare withholdings for penalties and interest plus AHTV Medi-Cal claims payments deposited into the TVHD operating account. Through October 30, we have now spent a total of $91,081,441 on the new Hospital construction project, with $83,096.209 of that amount being for construction and $7,985,232 being for equipment and furniture. The total replacement project had a budget of $98,997,860 without phasing and the total available bond funds for the project were $64,851,583 leaving $34,146,277 in additional funds due from grants, operations, borrowing, and/or construction advances from Adventist Health.

The fiscal year to date contractual allowance percentage was 0% of gross revenue vs. a budget of 0.0% and a same month prior year of 0%. This zero percentage is due to the discontinuance of any gross revenue generation by TVHD. The provision for bad debts also no longer exists unless there is some adjustment on the remaining self-pay accounts receivable outstanding.

Non-operating revenue was $23,797 over budget due to the accrual of deferred income to be received from property taxes for payment to the bondholders for the New Hospital and $50,000 of IGT funds transferred from the construction account. Prepaid rental income from Adventist Health Tehachapi Valley was right on budget at $75,000 and the property tax accrual for operations for October was $69,275.

The following is a variance analysis by line item of the balance sheet material changes from the end of the prior month and of the income statement from budget.

Balance Sheet:

1) Cash and cash equivalents increased by $690,674 over the end of the prior month.

This is due to the reconciliation effects of a 100% withhold of payments from Medicare due to overpayments on an interim basis during FY 2014 and 2015, the receipt of payments for AHTV insurance claims, a transfer of $50.000 of IGT supplemental funding, repayments to AHTV for Medicare withholds from their claims payments and the receipt of $0 in property taxes.

2) Gross accounts receivable outstanding were $84,003 under the end of the prior month.

This reflects the absence of gross patient revenue generation for the last thirty-six months, collections from TVHD office staff and the hard collection of bad debt accounts turned to HP Sears.

3) Bad debt and allowance reserves were $680,297 under the end of the prior month.

This is 713.6% of the outstanding gross accounts receivable versus a prior month end of 731.3% and a prior fiscal year end of 1568.7%. The change reflects the mix of patients, the age of the accounts outstanding with no new patient revenue generation, the current collections of self-pay installment accounts, contractual allowance adjustments from prior fiscal years, bad debt recoveries, and the impact of cost-based reimbursement for Medicare and Medi-Cal patients. In the financial statement presentation, some of the IGT supplemental income allocation is being booked to the allowance account rather than non-operating causing it to be overstated for the current level of receivables. The net revenue is correct, but the entry should reflect in the Other Receivables account rather than in the Allowance account. We have met with the new auditor for FY 2018 and 2019, JWT, LLP, and have proposed audit adjusting entries to reconcile the balance sheet accounts once they have completed their tie in with the previous audit account balances and the inter-company account due to Adventist Health has been reconciled. However, in anticipation of some of the audit adjustments that are expected, we are making some of our own post-closing internal audit adjustments.

4) Net patient accounts receivable decreased by $764,300 under the end of the prior month.

Medicare accounts outstanding over 90 days were at 100% vs. a prior month of 100% and a goal of less than 15% with new revenue generated. Medi-Cal accounts outstanding over 90 days were at 100% vs. a prior month end of 100% and a goal of less than 20% with new revenue generation. Commercial accounts outstanding over 90 days were 100% vs. a prior month of 100% and a goal of less than 20% with new revenue generation. Blues accounts outstanding over 90 days were 100% vs. a prior month of 100% and a goal of less than 20% with new revenue generation. Self-pay accounts outstanding over 120 days were 100% vs. a prior month of 100% and a goal of less than 30% with new revenue generation.

5) Other Receivables decreased by $48,819 under the end of the prior month.

There was an accrual of property taxes for the month and no funds were returned to the investment account which had been withdrawn and sent to the Department of Health Care Services to pay for matching the federal supplemental income portion for inter-governmental transfers related to Medi-Cal managed care claims at Adventist Health Tehachapi Valley during 2018-2019 These funds were returned to TVHD along with the Federal matching funds and have become a portion of the affiliation reconciliation with Adventist Health.

This account balance should reflect the accrual and payment of property taxes and inter-governmental transfer funds, now including an amortization of the accrued property taxes for the New Hospital. In the month of October, no payment funds were sent to the Department of Health Care Services for required federal matching. All IGT payments received in prior months were deposited or shared with Adventist Health and are being used to offset their charge against TVHD for interest and penalty charges for prior period Medicare overpayments. That balance due at October 31, 2019 is $844,509 due to Adventist Health at the end of posting business through that date according to Adventist Health and updated with current payments made. However, that includes 100% of all penalty and interest charges from Medicare and charges by Medicare to Adventist for Report Fees? TVHD believes that Adventist should pay a share of the penalty and interest charges especially for their timing differences for the provider number changeover and their assertion that Medicare over-withheld $1,064,585 from them. We continue to work with Adventist Health to reconcile and pay off this balance.

6) Inventories stayed the same as the end of the prior month at $0.

This lack of change reflects that no supply items are still running through the District's books during the month. The entire inventory balance of $121,963 has been transferred to the Adventist Health due to account. We are now working with JWT, LLP and Adventist Health to verify this inter-company account balance.

7) Restricted cash in the construction account is at $88,845 which is $761,225 less than the end of the prior month.

The only amounts moving through this account are receipts from Adventist Health for construction, receipts of IGT federal matching funds, the disbursement of these funds for payments for construction or renovation of District buildings and the payment of Adventist affiliation reconciliation funds owed.

8) Bond Reserve funds increased by $525.066 in November.

The bond reserve account/debt retirement fund increased by $525,066 from the end of the prior month at $2,891,392 reflecting the amount borrowed for this purpose as required by the various bond issues. Should there be no default of payments due to the bondholders over the life of the bonds, this money will come to TVHD to be used for other purposes as necessary.

9) There were no trustee held funds at the end of the month.

This was due to the semi-annual timing of principal and interest payments due to the bondholders and held in case property tax payments are insufficient to fund the principal and interest due and payable at the amortization time of semi-annual disbursement.

10) Investments increased by $193,066 over the end the prior month.

This increase reflects the quarterly interest earned and distributed by the LAIF fund. No receipts or disbursements were set aside for equipment and/or District construction projects less any payments or transfers out for such items and/or projects, investments held for future use and/or payments for other non-guild, foundation, property tax or Adventist funded capital expenditures or required operating disbursement items. The balance in the LAIF account is now up to $3,524,130.

11) Funded Depreciation was the same amount as at the end of the prior month.

This balance reflects the board approved donation of $25,000 to the Tehachapi Parks and Recreation department from the restricted funds set aside for use toward philanthropic Board designated purposes in prior months. The account was down to a balance of $22, but the depreciation expense for November 2016, March 2017 and January 2018 was funded due to a positive net income generated for those months.

12) Net due to/from Third Party Payers decreased by $7,633,783 under the end of the previous month.

This net balance of $36,057 due from reflects an overpayment by Medicare for FY 2014 and 2015 interim payments and the amount due from a FY 2015 Medicare settlement appeal and IGT and Medi-Cal settlement payments not yet taken into income or withheld from current claims payments. A review was done and a decision was made to reimburse the interim overpayments from Medicare plus interest through withholdings. The balance above reflects the actual withholding or payments through November 30. There is also a consideration of the initial audit adjustments for FY 2016 and now FY 2017 which was revised to reflect additional settlement information. This has reduced the due from balance. This withholding was averaging about $200,000 per month toward the total amount due of originally close to $5,300,000 before the transition to Adventist Health Tehachapi and the Medicare appeal results. A spreadsheet from the Medicare intermediary has been received and updated and reconciliation is reflected in the FY 2017 audited financial statements. In addition, Adventist Health Tehachapi Valley has developed withholding, interest and penalty worksheets by fiscal year and provider number which they have shared with TVHD. They believe that both AHTV and TVHD have been over-withheld by Medicare. In addition, Adventist corporate reimbursement has developed item by item schedules for all cost report years and provider numbers since 2014. These have been reviewed and discussed, but Adventist is not showing some payments recently made by TVHD on the inter-company reconciliation and also applying all of the Medicare penalties and interest charges to TVHD. Nevertheless, TVHD has noted those payments to reflect on this schedule and updated the amount due AHTV at the end of posting business through 11/30/2019 of $760,977 due to AHTV.

13) Net Property, Plant & Equipment is $4,646,501 over the balance at the end of the prior month.

This new balance of $126,279,394 reflects the additions to and/or deletions from the current property, plant and equipment being used at the existing Hospital and Clinics, plus the construction costs associated with the new Hospital, minus the associated depreciation and amortization of currently depreciable asset cost over the useful life to date of the asset.

14) Construction in Progress decreased by $95,521,654 in November due to moving the CIP for the new Hospital building into the building and equipment asset accounts. Capitalized interest increased by $4,857,721 over the end of the prior month due to posting the continuing accrued interest for the outstanding GO bonds. Capitalized equipment cost increased by $$5,069,741 over the end of the prior month due to moving the CIP for the equipment at the new Hospital into this account.

This reflects the change in the capitalized cost of construction of the new Hospital as well as any other construction projects in progress by the District or purchases of equipment put into service. The balance at the end of November for Construction in Progress was $22,475. Now that the new Hospital is open, this account has been changed to New Hospital Building & Equipment and only reflects any additions of equipment or construction paid for by TVHD as changes. The capitalized interest was $28,163,602 and has been modified by amortized interest expense and additional interest accrued on the general obligation bonds for the new Hospital building and equipment.

15) Accounts payable increased by $2,582,774 under the end of the prior month.

The accounts payable outstanding was adjusted for the payment to AHTV for a portion of the amount withheld and interest charges on Medicare amounts outstanding from Adventist Health in the Medicare withhold reconciliation process as well as audit adjustments by Wipfli, LLP. As the reconciliation process proceeds, the accounts payable will be adjusted to reflect the reconciling items. The days outstanding for accounts payable are not a consideration because the payables include the Adventist Health due to/from reconciliation items. The timing of the cash receipts and disbursements of Construction funds from Adventist Health, the strain on cash availability from the depletion of bond funds requiring use of operating funds for construction of the new Hospital and Medicare withholding from overpayments in FY 2014 and FY 2015 have affected the accounts payable. We are seeing the effects of declining operating expenses since the Adventist transition. In addition, there has been a conscientious effort to decrease the accounts payable outstanding to move toward an agency setting rather than one of a hospital operator. Industry standards are that the accounts payable outstanding for hospitals should be at or near 60 days. Also, the accounts payable balance has been progressively decreasing, except for the accrual of AHTV reconciling items, now that the District has no material operating results. However, there remains the timing of the Adventist due to/from reconciliation items flowing through the accounts payable.

Income Statement:

1) No inpatient hospital revenue existed for November 2019.

2) No outpatient revenue existed for November 2019.

3) No emergency department revenue existed for November 2019

4) No clinic revenue existed for November 2019.

5) A contractual allowance adjustment of ($39,104) was posted for a prior period in November 2019.

6) There was $316 in other operating revenue due to minor IGT adjustments to prior postings.

7) Total operating expenses were under budget by $12,585 due to the amortization of long-term interest and depreciation of the New Hospital and Equipment.

Total labor was $3,008 under budget with contract labor being $0 while salaries were $1,757 under and benefits were $1,251 under budget with the timing of some benefit premiums. Also, we have no accrual reversal from prior pay periods to offset the actual third payroll expense every six months. Repairs and maintenance was $238 over budget due to repairs on the Old Hospital building. Depreciation and amortization expense was $46,565 under budget due to the posting of the accrued interest expense for the GO bonds in the budget line item along with the depreciation for the Hospital buildings and equipment. Purchased services were $664 over budget due to no janitorial expenses, no collection fees from HRG and the amount of fees for the Healthland software applications. Insurance expense was $3,774 under budget due to the end of an allocation of the large prepaid insurance, benefit expenses not departmentalized and a monthly accrual of liability insurance for the New Hospital. Utilities were $27 under budget with the transfer of Hospital usage to Adventist Health and retention of the utilities for the Guild. Professional fees were $5,000 under budget due to no additional audit fees charged during the month.

Conclusions:

For November, the district had a net profit of $122,515 and for the fiscal year to date a net profit of $300,318. This is less than the fiscal year to date budget by $459,551 or 60.48%, and over the prior fiscal year to date by $290,625. Administration now has to work to stay focused on the management and clean-up of outstanding receivables, managing any funded depreciation for the new Hospital buildings and equipment, and keeping variable expenses down to a reduced agency level. Some new items of focus have also appeared which are to scrutinize the need for any consulting, legal and third-party fees, and doing improvements on the old Hospital building. TVHD needs to find ways to minimize unrecorded third-party settlements and other extra-ordinary expenses, as well as maximize any remaining Medi-Cal IGT reimbursement. An additional new focus is to strategically plan for how the affiliation with Adventist Health can assist with future District operations and community needs benefit. We also need to carefully plan for the timing of the cash flow requirements, especially insurance payments, withholds by Adventist Health Tehachapi Valley, amounts to pay Adventist Health for Medicare withholds and interest charged for TVHD patient services, reserve cash for funded depreciation and the renovation expenses for the old Hospital building.

If you have any questions or comments, please let me know.

Tehachapi Valley Healthcare District
Income Statement Summary
5th Month Ended November, 2019

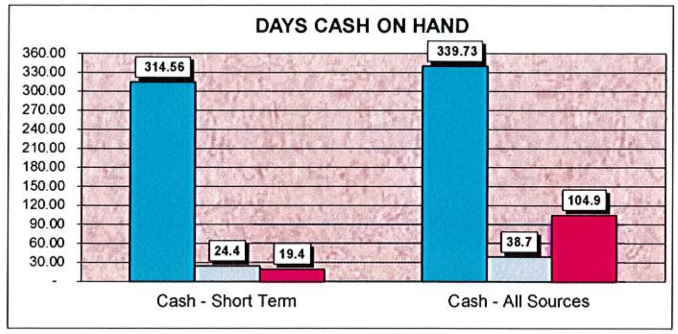
	CURRENT MONTH			YEAR-TO-DATE		
	Actual 11/30/19	Budget 11/30/19	Positive (Negative) Variance	Actual 11/30/19	Budget 11/30/19	Positive (Negative) Variance
Total Gross Patient Revenue	**0**	**0**	**0**	**(1,189)**	**0**	**(1,189)**
Total Deductions From Revenue	(39,104)	0	(39,104)	(661,671)	0	(661,671)
% Deductions		*#DIV/0!*			*#DIV/0!*	
Net Patient Revenue	**(39,104)**	**0**	**(39,104)**	**(662,860)**	**0**	**(662,860)**
Other Operating Revenue	316	3,649	(3,333)	52,762	18,245	34,517
Total Operating Revenue	**(38,788)**	**3,649**	**(42,437)**	**(610,098)**	**18,245**	**(628,342)**
Total Operating Expenses	**280,771**	**293,356**	**12,585**	**1,428,651**	**1,457,805**	**29,154**
Net Operating Surplus/(Loss)	**(319,559)**	**($289,707)**	**($29,852)**	**(2,038,749)**	**(1,439,561)**	**(599,188)**
Non-Operating Revenue	442,074	439,886	2,188	2,339,067	2,199,430	139,637
Total Net Surplus/(Loss)	**$122,515**	**150,179**	**($27,664)**	**$300,318**	**$759,869**	**($459,551)**

Tehachapi Valley Healthcare District

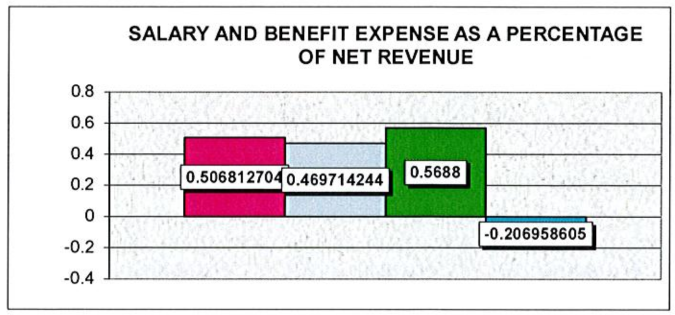
EXECUTIVE FINANCIAL SUMMARY

5th Month Ended November, 2019

BALANCE SHEET	11/30/2019	6/30/2019
ASSETS		
Current Assets	$3,597,454	$8,653,426
Assets Whose Use is Limited	6,554,625	6,545,163
Property, Plant and Equipment (Net)	126,279,394	124,881,700
Other Assets	(2,076,074)	(2,142,104)
Total Unrestricted Assets	**134,355,399**	**137,938,185**
Restricted Assets	0	0
Total Assets	**$134,355,399**	**$137,938,185**
LIABILITIES AND NET ASSETS		
Current Liabilities	$37,928,008	$39,789,871
Long-Term Debt	58,435,254	60,190,254
Other Long-Term Liabilities	0	0
Total Liabilities	**96,363,262**	**99,980,125**
Net Assets	37,992,137	37,958,060
Total Liabilities and Net Assets	**$134,355,399**	**$137,938,185**



STATEMENT OF REVENUE AND EXPENSES - YTD	*ACTUAL*	*BUDGET*
Revenue:		
Gross Patient Revenues	($1,189)	$0
Deductions From Revenue	(661,671)	0
Net Patient Revenues	(662,860)	0
Other Operating Revenue	52,762	18,245
Total Operating Revenues	**(610,098)**	**18,245**
Expenses:		
Salaries, Benefits & Contract Labor	126,265	114,554
Purchased Services & Physician Fees	10,643	47,944
Supply Expenses	1,161	844
Other Operating Expenses	366,878	442,753
Bad Debt Expense	0	0
Depreciation & Interest Expense	923,704	851,711
Total Expenses	**1,428,651**	**1,457,805**
NET OPERATING SURPLUS	**(2,038,749)**	**(1,439,561)**
Non-Operating Revenue/(Expenses)	2,339,067	2,199,430
TOTAL NET SURPLUS	**$300,318**	**$759,869**



Tehachapi Valley Healthcare District
Monthly Cash Flow Projection FY 2020

	Actual	Projected
Month of DECEMBER 2019	*Dec-19*	*Dec-19*
Average Daily Census		
Acute Care	0.00	0.00
Swing	0.00	0.00
Beginning Balance	-459,445	-340,635
Cash Receipts		
Medicare	0	0
Medi-Cal	0	0
Insurance	257	0
Bad Debt Recovery	953	453
Pay Pal/Credit Card Pmts.	340	311
Private Pay	780	990
Rebates & Refunds/Mod Rent/IGT	156,199	342,046
Receipt of AH Claims Payments	120,763	0
Property Taxes	86,097	0
Total Cash Received	365,388	343,800
Salaries	19,373	18,029
Professional Fees	16,775	5,000
Supplies	66	227
Other	0	3,191
Paymt to AH for Recpt of Clms or W/H	94,279	100,000
Construction New Hospital	11,000	520
TOTAL EXPENSE	141,494	126,967
Wells Fargo Bank Transfer	-152,261	0
Investment Account	0	200,000
Bal Bank Accounts	-356,310	0
Total Payments	-367,077	326,967
Cash Over/(Under)	273,020	(323,802)
Prop.Tax Acct	1,025,724	1,028,089
Reserve Add or Transfer	0	85,516
Medicare Overpayment Reserve	31,225	208,687
Reserve Add or Transfer	0	0
Net Cash Balance	1,329,969	998,490

District Manager Report – January 2020

- As requested by the Board a ballpark range for the 115 project was determined through conversations with an architect familiar with the 115 project and Johnson Controls, who performed the Mechanical Evaluation on the building. The total project costs can be anywhere between $2.5M. and $4.5 million.

- Working on a lease for space at 115 W E Street. Mountain Pathways is one interested tenant.

- Attempting to contact Dr. Ruiz to secure a lease on 116 W E Street.