



CPAs & BUSINESS ADVISORS

MAMMOTH HOSPITAL

Management Discussion Document for the Year Ending June 30, 2019
Finance Committee & Board Meeting

CONTENTS

- Required Auditor's Communication
- Performance

REQUIRED AUDITOR'S COMMUNICATION (1 OF 3)

Communication with The Board

1. Auditor's responsibility under generally accepted auditing standards

- Responsibility for basic financial statements – management
- Audit consists of tests, not complete verification – we obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatements
- Engaged to perform audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, and California legal compliance
- Discretely presented component unit - Auxiliary

2. Significant accounting policies

- No material changes in fiscal 2019

3. Management judgments and accounting estimates and qualitative aspects of accounting practices

- Collectability of patients receivables and historical retrospective review results
- Third-party payor settlements and settlement related to prior year

REQUIRED AUDITOR'S COMMUNICATION (2 OF 3)

4. Financial statement disclosures

- Net patient service revenue
- Long-term term debt
- Contingencies

5. Corrected Misstatements and Uncorrected Misstatements (typically referred to as audit adjustments identified)

- No corrected misstatements
- Uncorrected misstatements:
 - Understatement of accounts receivable and revenue due to late charges – \$144,000
 - Overstatement of beginning net position and understatement of revenue related to outpatient revenue reconciliation – \$115,000
 - Understatement of cash and revenue related to the county cash reconciliation to final confirm received – \$66,000
 - In addition, there is a reclassification of additions related to South Gateway Apartments from capital assets to other long-term assets and net position classification from net investment in capital assets to unrestricted – \$245,000

6. Difficulties Encountered in Performing the Audit

- None

REQUIRED AUDITOR'S COMMUNICATION (3 OF 3)

7. Disagreements with Management

- None

8. Management Consultations with Other Independent Accountants

- None noted

9. Other Matters Discussed Prior to Retention

- None

10. Other Matters

- Management's Discussion and Analysis
- Internal Control over Financial Reporting letter
- Summary Financial Statements
- Other Non Audit services
- GASB 87, *Leases* – effective for the District fiscal year end June 30, 2021

PERFORMANCE OVERVIEW

The following represent the ratios used to analyze current performance levels:

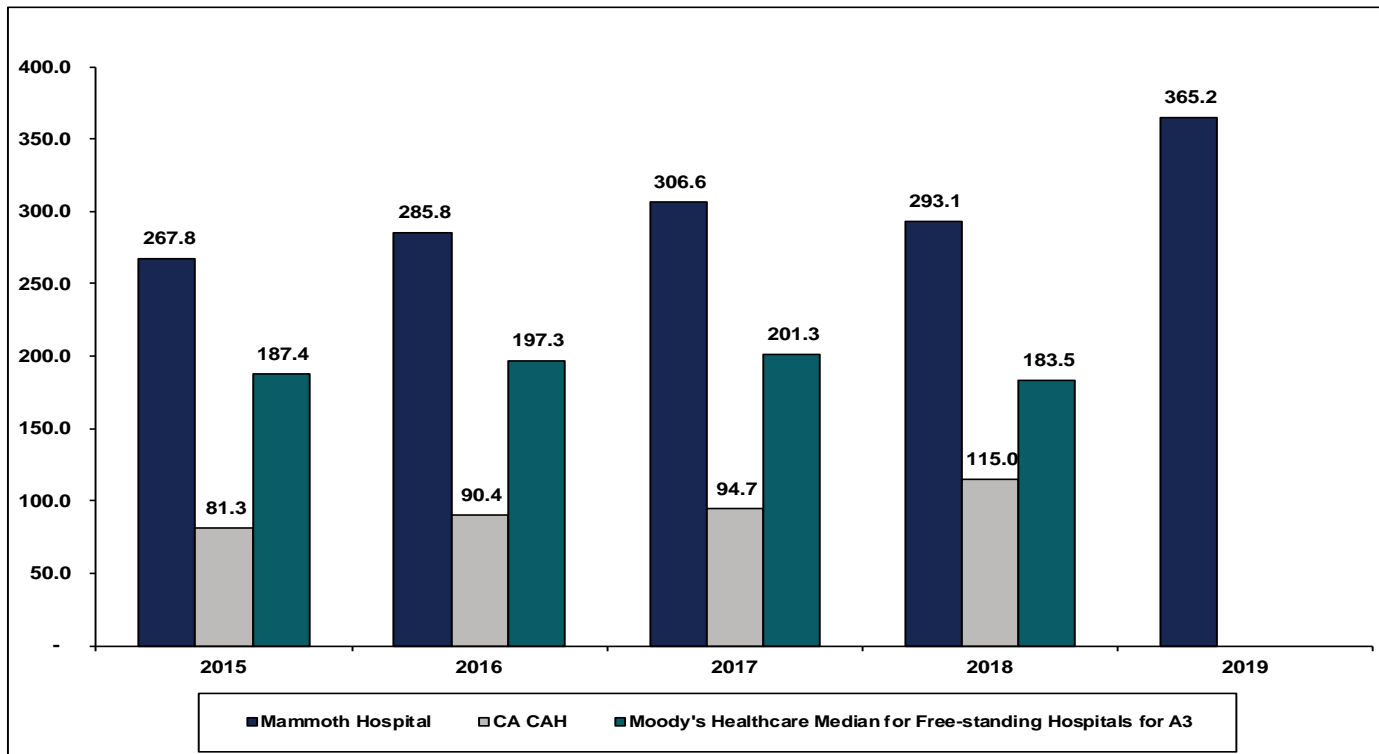
- **Liquidity Ratios**
 - Days Cash on Hand
 - Days in Receivable
 - Current Ratio

- **Profitability**
 - Operating Margin

- **Capital Structure**
 - Debt to Equity Ratio

DAYS CASH ON HAND

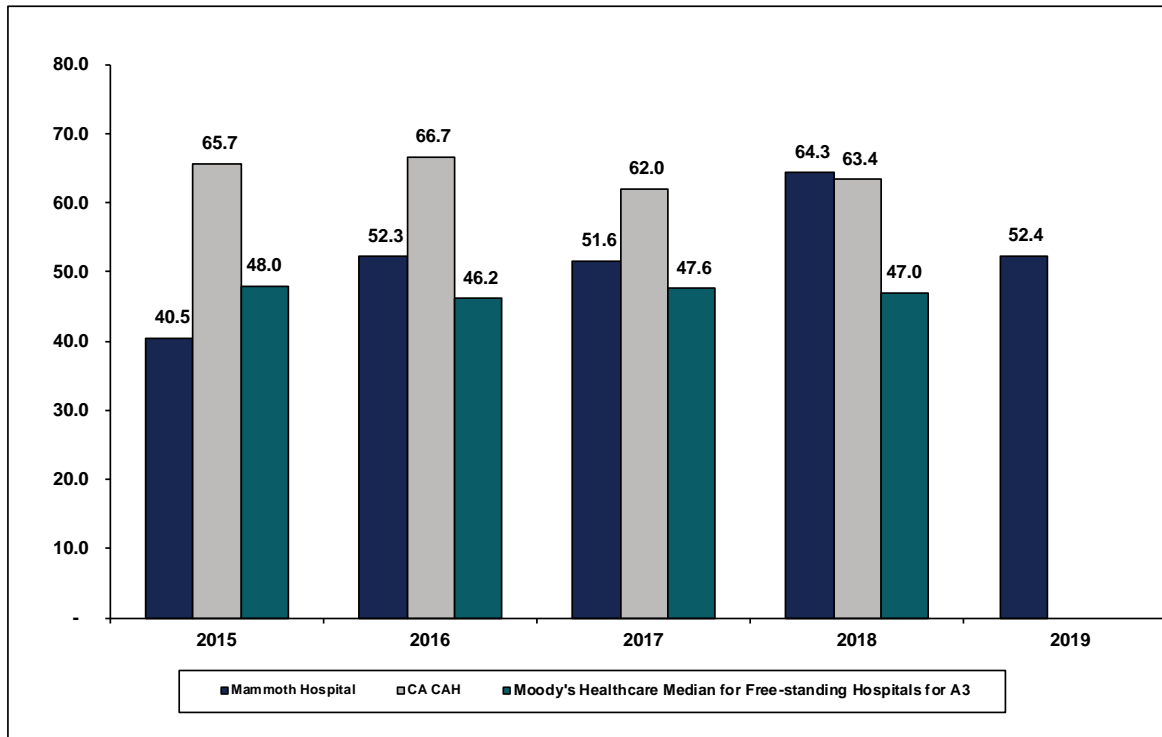
Days cash on hand from all sources is a measure of the average number of days the Hospital could operate without additional receipts.



Management has been able to continue to increase cash balances due to operating results over the last several years.

NET DAYS IN AR

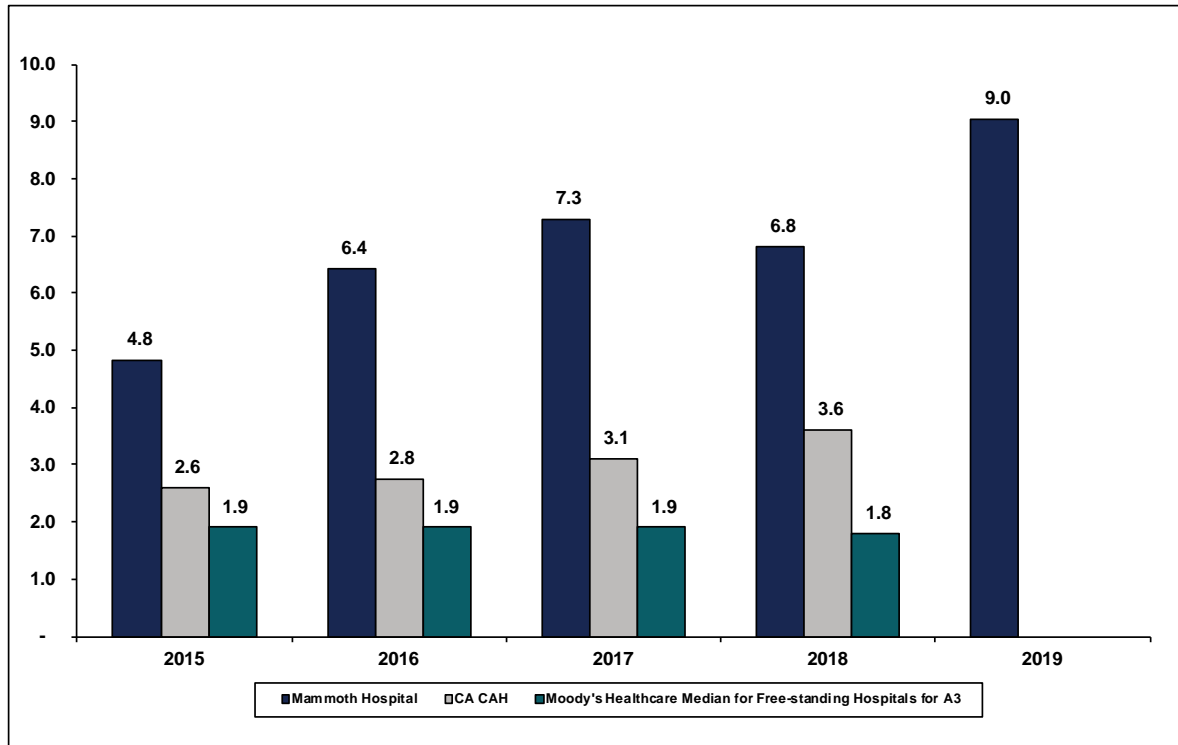
Net days revenue in receivables is used to estimate how long a charge is held in receivables before being collected.



Net days in AR has decreased during the current year, and is impacted by increased collection efforts.

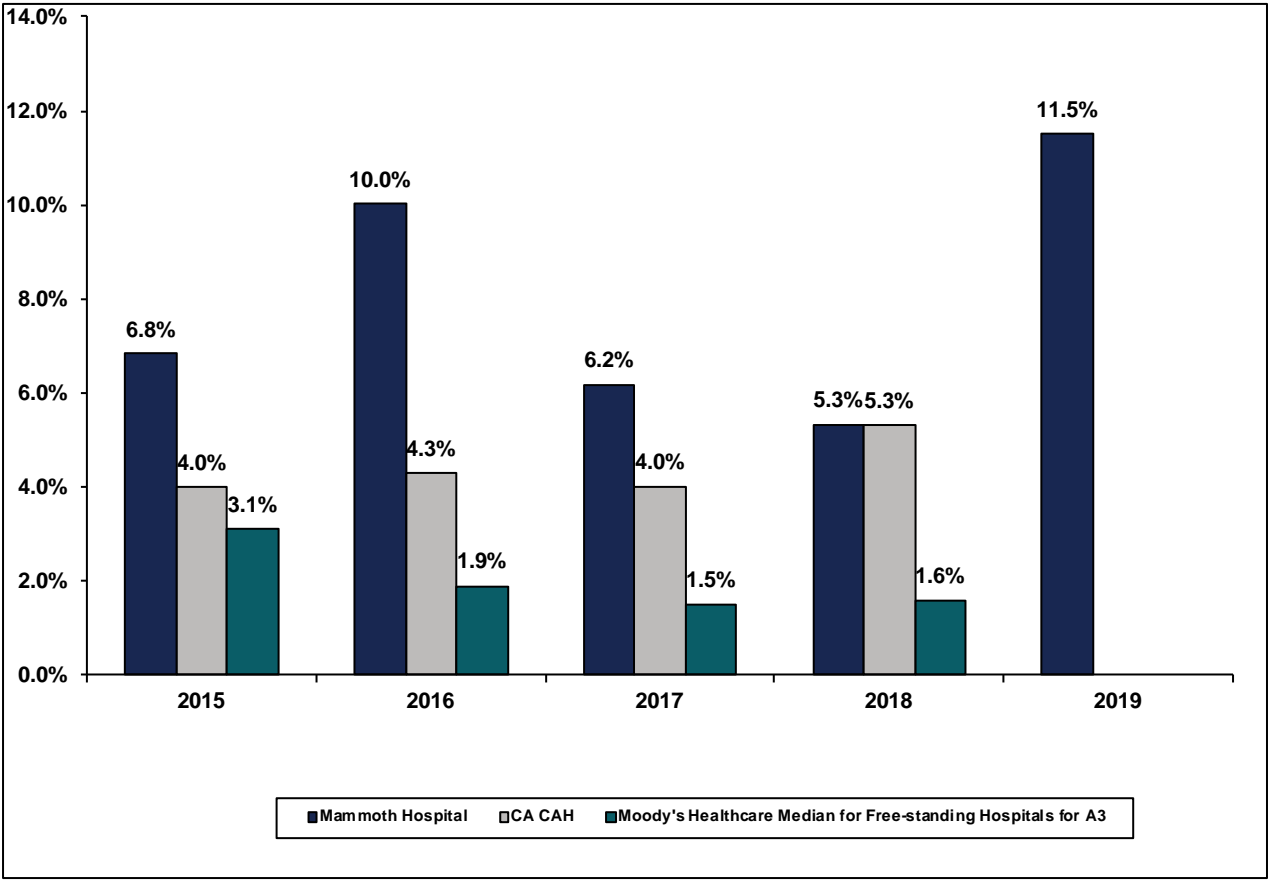
CURRENT RATIO

The current ratio indicates the District's ability to meet its current obligations with current assets. A ratio of 1.0 would indicate that current assets are just sufficient to meet current obligations.

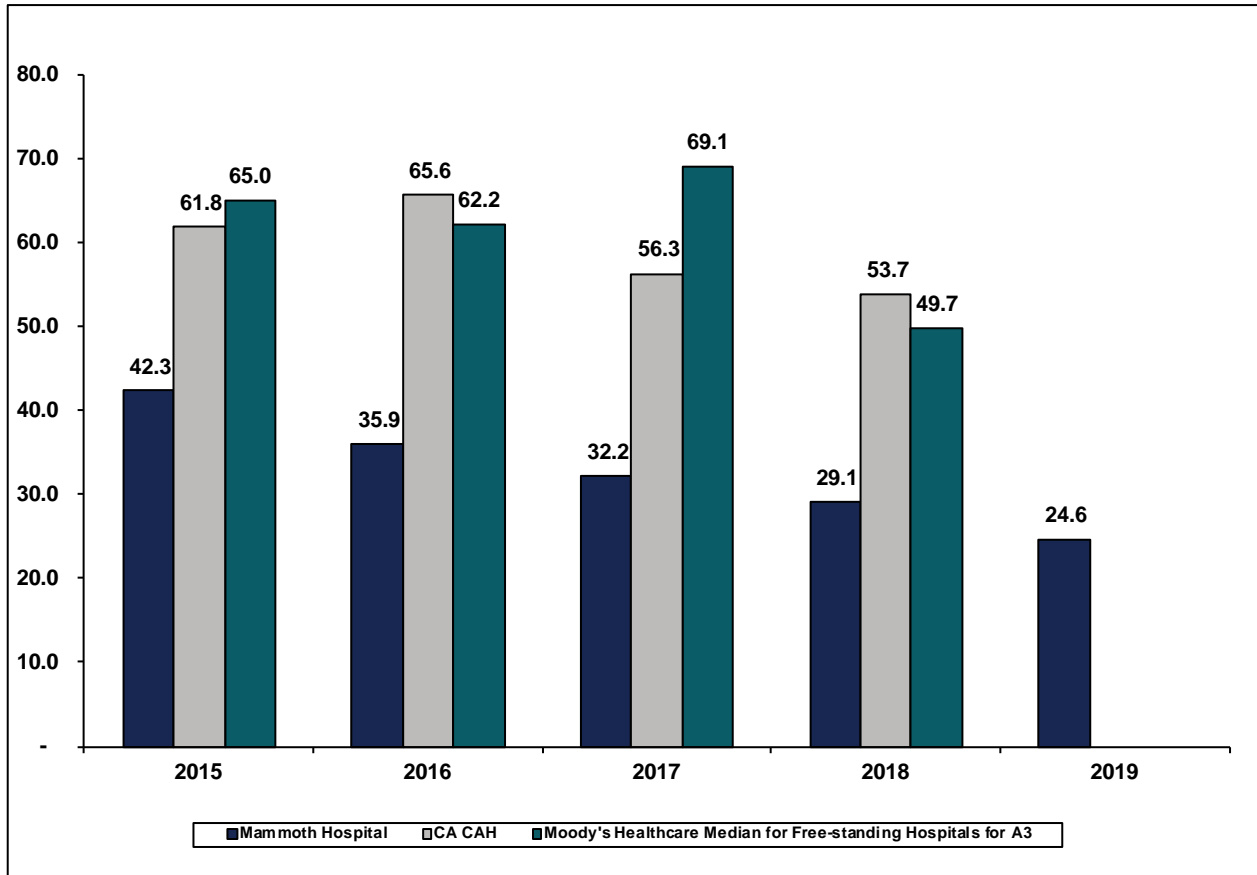


Mammoth has maintained a current ratio of at least 4.0 over the last five years and above benchmarks.

OPERATING MARGIN



DEBT TO EQUITY



NEXT STEPS AND CONCLUDING THOUGHTS

Thank you for allowing us to share our observations and suggestions.

We look forward to continuing to serve you.