



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements and Federal Single Audit  
Report**

**Grant County Public Hospital District  
No. 5  
(Mattawa Community Medical Clinic)**

**For the period January 1, 2016 through December 31, 2017**

**Published September 20, 2018**

**Report No. 1022204**





**Office of the Washington State Auditor  
Pat McCarthy**

September 20, 2018

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Mattawa Community Medical Clinic's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Mattawa Community Medical Clinic January 1, 2017 through December 31, 2017**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of Mattawa Community Medical Clinic are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

#### **Federal Awards**

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.527	Health Center Program Cluster – Grants for New and Expanded Services under the Health Center Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2017-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Mattawa Community Medical Clinic January 1, 2017 through December 31, 2017

**2017-001 The District's financial position continues to place it at risk of not meeting its financial obligations and hinders its ability to provide services at current levels.**

#### *Description of Condition*

In our past four audits, we have communicated concerns to the Board about the need to monitor and improve the District's financial condition. While the District has worked to make improvements, its financial condition continues to be a concern.

The District continues to report operating losses, as shown in the table below:

For year ending December 31	2013	2014	2015	2016	2017
Operating revenue	\$1,190,025	\$1,068,086	\$928,149	\$1,452,548	\$1,791,855
Operating expenses	\$1,543,532	\$1,712,345	\$1,609,643	\$1,976,102	\$2,049,443
Operating income (loss)	(\$353,507)	(\$644,259)	(\$681,484)	(\$523,554)	(\$257,588)
Non-operating income (loss)			\$245,186	\$304,250	\$373,730
Net position (deficit)	(\$381,572)	(\$726,681)	(\$1,162,989)	(\$1,382,293)	(\$1,266,15

In addition, the District has experienced severe cash flow problems. The District continues to use registered warrants from the Grant County Treasurer's Office to fund current operations. Grant County issues registered warrants to special purpose districts as a short-term funding source to cover daily operating expenses and other obligations when those districts experience cash shortfalls. As indicated in the District's notes to the financial statements (note 11), the County will allow registered warrants only up to \$750,000. The District's outstanding registered warrants at year end are as follows:

For year ending December 31	2013	2014	2015	2016	2017
Outstanding registered warrants	\$233,580	\$452,346	\$589,956	\$512,371	\$505,230

## ***Cause of Condition***

The District has taken steps to improve its financial condition over the past year, such as increasing taxes and requesting additional federal grant funding from the U.S. Department of Health and Human Services. However, the District has not established a formal financial plan including detailed financial benchmarks or guidelines to specifically target cash flow needs and reduce its reliance on registered warrants.

## ***Effect of Condition***

The District continues to be at risk for not being able to meet future financial obligations or continue operations at current service levels.

## ***Recommendations***

We recommend the District take prompt action to manage operations within available resources by establishing a comprehensive plan that includes detailed financial benchmarks and guidelines to specifically target cash flow needs and establishes a repayment plan for outstanding obligations. In addition, the District should closely monitor and evaluate financial operations to ensure its turnaround plan is being followed and the desired results achieved. The District should revise the plan as needed.

## ***District's Response***

- 1. The clinic secured foundation grant funding instead of utilizing current operating resources to establish an onsite 340B/retail Pharmacy; which will be the only pharmacy in the community. The pharmacy is in the final stage of implementation; however, the full financial benefits to the clinic will not be realized until 2019.*
- 2. The district requested an increase in the tax levy last November, which was approved by the voters. The additional tax revenue from the levy will decrease the outstanding warrant amount by approximately one third (1/3), but again, those tax dollars will only impact 2018 and future tax years.*
- 3. We reduced the FTE of our low productive provider from full-time to part-time. A more suitable schedule was created to reflect his efforts while decreasing his salary. Additionally, he will no longer be eligible for healthcare benefits, nor will his spouse, resulting in a significant savings to the clinic.*
- 4. September 2018, we plan to open three dental operatory rooms to provide dental services for our patients. This will increase our ability to generate new revenue as well as attract new patients.*

*We continue to focus strategically on new services provided as well as to increase the number of patients served directly and through key community partnership that will allow the clinic to grow and become more fiscally stable.*

*Thank you for the opportunity to work with your audit team, I look forward to our continued working relationship.*

***Auditor's Remarks***

We appreciate the steps the District is taking to resolve this issue and thank the District for its communication, cooperation and assistance during the audit. We will review the condition during our next audit.





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 mattawacommunitymedicalclinic.org

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Mattawa Community Medical Center January 1, 2017 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2015 through December 31, 2016	<b>Report Ref. No.:</b> 1019997	<b>Finding Ref. No.:</b> 2016-001																														
<b>Finding Caption:</b> The District's financial position continues to place it at risk of not meeting its financial obligations or provide services at current levels.																																
<b>Background:</b> In our past three audits, we have communicated concerns to the Board about the need to monitor the District's financial condition; however, the District's financial condition continues to decline.  The District continues to report operating losses, as shown in the table below: <table border="1" data-bbox="349 1312 1412 1684"> <thead> <tr> <th></th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Operating revenue</td> <td>\$1,078,744</td> <td>\$1,190,025</td> <td>\$1,068,086</td> <td>\$928,149</td> <td>\$1,452,548</td> </tr> <tr> <td>Operating expenses</td> <td>\$1,299,912</td> <td>\$1,543,532</td> <td>\$1,712,345</td> <td>\$1,609,643</td> <td>\$1,976,102</td> </tr> <tr> <td>Operating income (loss)</td> <td>(\$221,167)</td> <td>(\$353,507)</td> <td>(\$644,259)</td> <td>(\$681,484)</td> <td>(\$523,554)</td> </tr> <tr> <td>Net position</td> <td>(\$341,286)</td> <td>(\$381,572)</td> <td>(\$726,681)</td> <td>(\$1,162,989)</td> <td>(\$1,382,293)</td> </tr> </tbody> </table>				2012	2013	2014	2015	2016	Operating revenue	\$1,078,744	\$1,190,025	\$1,068,086	\$928,149	\$1,452,548	Operating expenses	\$1,299,912	\$1,543,532	\$1,712,345	\$1,609,643	\$1,976,102	Operating income (loss)	(\$221,167)	(\$353,507)	(\$644,259)	(\$681,484)	(\$523,554)	Net position	(\$341,286)	(\$381,572)	(\$726,681)	(\$1,162,989)	(\$1,382,293)
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<b>Status of Corrective Action: (check one)</b> registered warrants to special purpose districts as a short- term funding source to cover da <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid																																
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establish an onsite 340B/retail Pharmacy; which will be the only pharmacy in the community. The pharmacy is in the final stage of implementation; however, the full financial benefits to the clinic will not be realized until 2019.

2. The district requested an increase in the tax levy last November, which was approved by the voters. The additional tax revenue from the levy will decrease the outstanding warrant amount by approximately one third (1/3), but again, those tax dollars will only impact 2018 and future tax years.

3. We reduced the FTE of our low productive provider from full-time to part-time. A more suitable schedule was created to reflect his efforts while decreasing his salary. Additionally, he will no longer be eligible for healthcare benefits, nor will his spouse, resulting in a significant savings to the clinic.

4. September 2018, we plan to open three dental operator rooms to provide dental services for our patients. This will increase our ability to generate new revenue as well as attract new patients.

We continue to focus strategically on new services provided as well as to increase the number of patients served directly and through key community partnership that will allow the clinic to grow and become more fiscally stable.

Thank you for the opportunity to work with your audit team, I look forward to our continued working relationship.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**Mattawa Community Medical Clinic  
January 1, 2016 through December 31, 2017**

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mattawa Community Medical Clinic, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2018.

Our report includes information about the status of the District's financial condition. This information is more fully described in Finding 2017-001 in the Schedule of Audit Findings and Responses. The District's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response. The District has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

September 13, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE**

**Mattawa Community Medical Clinic  
January 1, 2017 through December 31, 2017**

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Mattawa Community Medical Clinic, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in

internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy  
State Auditor  
Olympia, WA

September 13, 2018



# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Mattawa Community Medical Clinic January 1, 2016 through December 31, 2017**

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Mattawa Community Medical Clinic, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 21.

#### **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.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 District'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 District'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 opinions.

## **Opinion**

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

### ***Matter of Emphasis Regarding Fiscal Sustainability***

As discussed in Note 11 to the financial statements and described in Finding 2017-001 in the Schedule of Audit Findings and Responses, the District's financial position continues to place it at risk of not meeting its financial obligations and hinders its ability to provide services at current levels. The District has had to pay expenses using registered warrants from the Grant County Treasurer's Office. Grant County issues registered warrants to special purpose districts as a short-term funding source to cover daily operating expenses and long-term debt obligations when the District experiences cash shortfalls. The District's cash flow constraints are expected to continue in the near future. As a result, there exists uncertainty about the District's ability to maintain services at present levels under these conditions. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***District's Response to Finding***

The District's response to the finding identified above is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 13, 2018

## **FINANCIAL SECTION**

### **Mattawa Community Medical Clinic January 1, 2016 through December 31, 2017**

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017 and 2016

Statement of Revenues, Expenses and Changes in Net Position – 2017 and 2016

Statement of Cash Flows – 2017 and 2016

Notes to Financial Statements – 2017 and 2016

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 385,938	\$ 162,616
Receivables:		
Patient accounts, net of estimated uncollectibles		
of \$32,096 and \$19,000, respectively	17,694	112,755
Taxes	14,739	16,359
Enhancement	17,964	14,650
WIC	16,442	12,780
Grants	60,798	78,421
Inventories	5,606	4,463
Prepaid expenses/Other Current Assets	7,522	5,094
Total current assets	526,702	407,138
<i>Noncurrent assets</i>		
Capital assets, net	1,018,136	1,067,821
<b>Total assets</b>	<b>\$ 1,544,839</b>	<b>\$ 1,474,959</b>
<b>LIABILITIES AND NET POSITION (DEFICIT)</b>		
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 45,189	\$ 43,363
Registered warrants outstanding	505,230	512,371
Accounts payable	67,296	102,348
Accrued compensation and related liabilities	74,868	73,832
Accrued interest payable	13,539	18,640
Deffered Revenue	143,835	-
Estimated third-party payor settlements	735,195	835,670
Total current liabilities	1,585,151	1,586,224
<i>Noncurrent liabilities</i>		
Long-term debt, net of current maturities	1,225,839	1,271,028
Total liabilities	2,810,990	2,857,252
<i>Net position (deficit)</i>		
Net investment in capital assets	(266,431)	(265,210)
Unrestricted	(999,720)	(1,117,083)
Total net position (deficit)	(1,266,151)	(1,382,293)
<b>Total liabilities and net position (deficit)</b>	<b>\$ 1,544,839</b>	<b>\$ 1,474,959</b>

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<i>Operating revenues</i>		
Net patient revenue, net of provision for bad debts of approximately \$32,096 and \$19,000, respectively	\$ 896,518	\$ 679,067
Health Resources and Services Administration (HRSA) grant	748,341	646,469
WIC	88,481	75,373
Other grants	36,802	16,861
Other	21,713	34,778
Total operating revenues	1,791,855	1,452,548
<i>Operating expenses</i>		
Salaries and wages	1,120,778	1,028,706
Employee benefits	294,555	261,685
Supplies	99,696	152,428
Professional fees	303,557	305,889
Depreciation	77,576	65,576
Rentals and leases	4,693	3,435
Insurance	19,280	20,450
Utilities	39,281	37,376
Repairs and maintenance	4,538	9,699
Other	85,487	90,858
Total operating expenses	2,049,443	1,976,102
<i>Operating loss</i>	(257,588)	(523,554)
<i>Nonoperating revenues (expenses)</i>		
Property tax revenue	429,493	349,664
Rent income	14,619	17,832
Interest income	363	419
Interest expense	(70,746)	(63,665)
Total nonoperating revenues (expenses), net	373,730	304,250
Change in net position (deficit)	116,142	(219,304)
Net position (deficit), beginning of year	(1,382,293)	(1,162,989)
<b>Net position (deficit), end of year</b>	<b>\$ (1,266,151)</b>	<b>\$ (1,382,293)</b>

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 887,790	\$ 848,657
Receipts from HRSA grant	726,614	616,177
Other receipts	106,532	117,375
Other grant receipts	80,256	16,861
Payments to and on behalf of employees	(1,414,297)	(1,327,816)
Payments to suppliers and contractors	(554,072)	(580,721)
Net cash used in operating activities	(167,178)	(309,467)
<i>Cash flows from noncapital financing activities</i>		
Net change in registered warrants outstanding	(7,141)	(77,585)
Deferred revenue	143,835	-
Property taxes	431,113	351,855
Net cash provided by noncapital financing activities	567,807	274,270
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(27,891)	(57,276)
Principal paid on long-term debt	(88,552)	(41,612)
Interest paid on long-term debt	(75,847)	(64,233)
Net cash used in capital and related financing activities	(192,290)	(163,121)
<i>Cash flows from investing activities</i>		
Interest received	363	419
Rent received	14,619	17,832
Net cash provided by investing activities	14,983	18,251
Net increase (decrease) in cash and cash equivalents	223,322	(180,067)
Cash and cash equivalents, beginning of year	162,616	342,683
<b>Cash and cash equivalents, end of year</b>	<b>\$ 385,938</b>	<b>\$ 162,616</b>

*See accompanying notes to basic financial statements.*



**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b><i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</i></b>		
Operating loss	\$ (257,588)	\$ (523,554)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>		
Depreciation	77,576	65,576
Provision for bad debts	15,076	34,144
Decrease (increase) in assets:		
Receivables:		
Patient accounts, net	79,985	(85,693)
Enhancement	(3,314)	(7,211)
WIC	(3,662)	7,224
Grants	21,727	(30,292)
Prepaid expenses	(3,571)	(2,547)
Increase (decrease) in liabilities:		
Accounts payable	6,032	41,961
Accrued compensation and related liabilities	1,036	(37,425)
Estimated third-party payor settlements	(100,475)	228,350
<b>Net cash used in operating activities</b>	<b>\$ (167,178)</b>	<b>\$ (309,467)</b>

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Grant County Public Hospital District No. 5 doing business as Mattawa Community Medical Clinic (the District) operates a federally qualified health center (FQHC) in Mattawa, Washington, as provided for under the laws of the state of Washington relating to Washington municipal corporations. In August 2015, the District was awarded a Consolidated Health Centers grant from the U.S. Department of Health and Human Services, at which time they transitioned from their former designation as a federally qualified health center look-alike facility.

The District operates as a dual status organization, with oversight from both an FQHC Board of Directors and a Board of Commissioners. The Board of Commissioners consists of three community members elected to six-year terms. In addition to the Board of Commissioners, there is an FQHC Board of Directors. The FQHC Board of Directors consists of at least nine and not more than fifteen residents that reside in Grant County Public Hospital District No. 5.

**b. Summary of Significant Accounting Policies**

***Use of estimates*** – The 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Enterprise fund accounting*** – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

***Cash and cash equivalents*** – All cash receipts are deposited directly to the District's depository account with the Grant County Treasurer (County Treasurer). Periodically, such cash is transferred to the operating account and warrants are issued by the District against the cash placed with the County Treasurer. For purposes of the statements of cash flows, the District considers all cash and cash investments with maturity dates of less than 90 days as cash and cash equivalents.

***Inventories*** – Inventories are stated at cost on the first-in, first-out method. Inventories consist of medical supplies used in the District's operations.

***Net position*** – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

***Federal income tax*** – The District is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is necessary. The District evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2017 and 2016, the District had no uncertain tax positions requiring accrual.

***Grants and contributions*** – From time to time, the District receives grants from the state of Washington and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the District's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

***Restricted resources*** – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

***Operating revenues and expenses*** – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including revenue from the Washington State Women, Infants, and Children (WIC) Nutrition Program and grants for specific operating activities associated with providing healthcare services — the District's principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

***Compensated absences*** – The District's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when earned.

***Subsequent events*** – Subsequent events have been reviewed through July 10, 2018, the date on which the financial statements were available to be issued.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**2. Bank Deposits and Investments:**

**Deposits** – Custodial credit risk is the risk that in the event of a depository institution failure, the District’s deposits may not be returned to it.

The District’s deposits are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

**Investments** – The *Revised Code of Washington*, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. The Grant County Local Government Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

Investments in the Grant County Local Government Investment Pool are reported at fair value based on the net asset value per share. The Grant County Local Government Investment Pool’s investment strategy is to invest in treasury securities with staggering maturity dates. Investments generally may be redeemed with no waiting period with proper notice to the Grant County Treasurer.

**Registered warrants** – At December 31, 2017, the warrants outstanding of \$505,230, which bore interest at 3.5%. At December 31, 2016, the warrants outstanding of \$544,143 contained total registered warrants of \$512,371, which bore interest at 3.5%.

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**3. Patient Accounts Receivable (continued):**

The District's allowance for uncollectible accounts for self-pay patients has not changed significantly from prior years. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write offs from third-party payors.

Patient accounts receivable reported as current assets by the District consisted of these amounts:

	2017	2016
Receivables from patients and their insurance carriers	\$ 29,088	\$ 60,141
Receivables from Medicare	12,536	37,850
Receivables from Medicaid	8,165	33,764
Total patient accounts receivable	49,790	131,755
Less allowance for uncollectible accounts	32,096	19,000
<b>Patient accounts receivable, net</b>	<b>\$ 17,694</b>	<b>\$ 112,755</b>

**4. 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 Grant 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. The assessed property is subject to lien on the levy date and taxes are considered delinquent after October 31. Collections are distributed monthly to the District by the County Treasurer.

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

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**5. Capital Assets:**

The District capitalizes assets whose costs exceed \$5,000. Capital assets are reported at historical cost or their estimated fair value at the date of donation.

Capital assets are depreciated by the straight-line method of depreciation using the following estimated useful lives:

Buildings	15 to 30 years
Fixed equipment	10 to 25 years
Movable equipment	3 to 20 years

Capital asset additions, retirements, transfers, and balances were as follows:

	December 31, 2016	Additions	Retirements	Transfers	December 31, 2017
<i>Capital assets not being depreciated</i>					
Land	\$ 105,608	\$ -	\$ -	\$ -	\$ 105,608
Construction in progress	18,321	-	-	(18,321)	-
Total capital assets not being depreciated	123,929	-	-	(18,321)	105,608
<i>Capital assets being depreciated</i>					
Buildings	1,605,656		-	-	1,605,656
Fixed equipment	28,822	-	-	-	28,822
Movable equipment	352,042	27,890	-	18,321	398,253
Total capital assets being depreciated	1,986,520	27,890	-	18,321	2,032,731
<i>Less accumulated depreciation for</i>					
Buildings	(762,771)	(51,748)	-	-	(814,519)
Fixed equipment	(25,472)	(407)	-	-	(25,879)
Movable equipment	(254,385)	(25,421)	-	-	(279,806)
Total accumulated depreciation	(1,042,628)	(77,576)	-	-	(1,120,204)
Total capital assets being depreciated, net	943,892	(49,686)	-	-	912,527
<b>Total capital assets, net</b>	<b>\$ 1,067,821</b>	<b>\$ (49,686)</b>	<b>\$ -</b>	<b>\$ (18,321)</b>	<b>\$ 1,018,135</b>

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**5. Capital Assets (continued):**

	December 31, 2015	Additions	Retirements	Transfers	December 31, 2016
<i>Capital assets not being depreciated</i>					
Land	\$ 105,608	\$ -	\$ -	\$ -	\$ 105,608
Construction in Progress	-	18,321	-	-	18,321
Total capital assets not being depreciated	105,608	18,321	-	-	123,929
<i>Capital assets being depreciated</i>					
Buildings	1,605,656	-	-	-	1,605,656
Fixed equipment	28,822	-	-	-	28,822
Movable equipment	313,087	38,955	-	-	352,042
Total capital assets being depreciated	1,947,565	38,955	-	-	1,986,520
<i>Less accumulated depreciation for</i>					
Buildings	(711,023)	(51,748)	-	-	(762,771)
Fixed equipment	(25,065)	(407)	-	-	(25,472)
Movable equipment	(240,964)	(13,421)	-	-	(254,385)
Total accumulated depreciation	(977,052)	(65,576)	-	-	(1,042,628)
Total capital assets being depreciated, net	970,513	(26,621)	-	-	943,892
<b>Total capital assets, net</b>	<b>\$ 1,076,121</b>	<b>\$ (8,300)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,067,821</b>

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**6. Long-term Debt:**

A schedule of changes in the District's noncurrent liabilities is as follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amount Due Within One Year
<i>Long-term debt</i>					
Town of Mattawa - LID	\$ 3,523	\$ -	\$ (341)	\$ 3,182	\$ 341
Limited tax general obligation bond Series A	779,147	-	(25,975)	753,172	26,493
Limited tax general obligation bond Series B	531,721	-	(17,261)	514,460	18,355
<b>Total long-term debt</b>	<b>\$ 1,314,391</b>	<b>\$ -</b>	<b>\$ (43,577)</b>	<b>\$ 1,270,814</b>	<b>\$ 45,189</b>

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Amount Due Within One Year
<i>Long-term debt</i>					
Town of Mattawa - LID	\$ 3,864	\$ -	\$ (341)	\$ 3,523	\$ 341
Limited tax general obligation bond Series A	803,524	-	(24,377)	779,147	25,424
Limited tax general obligation bond Series B	548,615	-	(16,894)	531,721	17,598
<b>Total long-term debt</b>	<b>\$ 1,356,003</b>	<b>\$ -</b>	<b>\$ (41,612)</b>	<b>\$ 1,314,391</b>	<b>\$ 43,363</b>



**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**6. Long-term Debt (continued):**

The terms and due dates of the District's long-term debt are as follows:

- Town of Mattawa Local Improvement District (LID) with original balance of \$10,183 issued in 1999, with a fixed principal payment of \$341 due annually through 2029, plus interest at 5%; collateralized by the sewer system.
- Limited tax general obligation bonds in two series, a Series A bond in the principal amount of \$966,000 and a Series B bond in the principal amount of \$661,800 for a total of \$1,627,800. The Series A bond, with an original balance of \$966,000, was issued in 2006 with a fixed payment of \$29,135 due semiannually through 2036, including interest of 4.25% with two initial deferred principal installments. The Series B bond with an original balance of \$661,800 was issued in 2006, with a fixed payment of \$19,676 due semiannually through 2036, including interest of 4.125%, with two initial deferred principal installments.

In conjunction with the issuance of the limited tax general obligation bonds, the United States Department of Agriculture (USDA) Community Facilities Loans Program executed two loans in the amounts of \$661,800 and \$966,000. The loans are secured by the limited tax general obligation bonds which are in the possession of the USDA. The terms of the loans are identical to the terms of the limited tax general obligation bonds as described above.

The limited tax general obligations are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District.

Scheduled principal and interest payments on long-term debt are as follows:

**Principal and interest payments on long-term debt**

<b>Years Ending December 31,</b>	<b>Long-term Debt</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 45,189	52,977	\$ 98,166
2019	47,091	51,057	98,148
2020	49,074	49,057	98,131
2021	51,142	46,972	98,114
2022-2026	289,934	200,381	490,315
2027-2031	354,908	133,410	488,318
2032-2036	433,690	51,370	485,060
	<b>\$ 1,271,028</b>	<b>\$ 585,224</b>	<b>\$ 1,856,252</b>

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**7. Net Patient Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and write offs have not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during the years ended December 31, 2017 or 2016.

Patient service revenue, recognized in the period from these major payor sources, is as follows:

**Net Patient Service Revenue**

	<b>2017</b>	<b>2016</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 99,247	\$ 155,814
Medicaid	509,774	234,080
Other third-party payors	204,962	224,902
Patients	148,249	137,128
	<b>962,232</b>	<b>751,924</b>
Less:		
Charity care	50,638	38,713
Provision for bad debts	15,076	34,144
<b>Net patient service revenue</b>	<b>\$ 896,518</b>	<b>\$ 679,067</b>

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates.

Services provided to Medicare and Medicaid beneficiaries are reimbursed under a prospective payment methodology.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per visit, discounts from established charges, and fee schedule.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The District provides care to patients who are financially unable to pay for the healthcare services they receive using a sliding fee schedule without charge or at amounts less than established rates.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**7. Net Patient Revenue (continued):**

The District's policy is not to pursue collection of amounts determined to qualify for sliding fee discount. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing this care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for patients that qualify for sliding fee discounts for the years ended December 31, 2017 and 2016, were approximately \$66,000 and \$71,000, respectively. Funds received from grants to subsidize sliding fee services and access to healthcare for the years ended December 31, 2017 and 2016, were approximately \$748,000 and \$647,000, respectively.

Effective January 1, 2009, the state of Washington (the State) changed its methodology for calculating the Medicaid reimbursement rates paid on eligible rural health clinic and federal qualified health clinic fee-for-service and managed care encounters. Included in the estimate prepared by management are assumptions regarding allowable encounters and the fee-for-service equivalents for those encounters. These estimates are subject to change based on the State's final reconciliation and settlement of 2014, 2015, 2016 and 2017. The difference between the final settlements and the amounts estimated by management could be material; any difference will be recorded when the final settlement becomes known. Settlements for 2010, 2011, 2012, and 2013 have been calculated by the state and are pending payment by the District. For the year ended December 31, 2017, the Organization calculated an estimated settlement of \$735,195 due to the State for differences in rates paid on eligible fee-for-services activity billed from January 1, 2010 through December 31, 2017. The District operated as a rural health clinic through September 2012, upon which time they began operating as an FQHC look-alike, and became an FQHC effective August 2015.

Net patient service revenue increased by approximately \$217,000 and \$207,000 in 2017 and 2016, respectively, due to differences between original estimates and final or revised settlements related to the Medicaid managed care reconciliation estimates.

**8. Defined Contribution Plan:**

The District has a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The name of the plan is the Mattawa Community Medical Clinic Retirement Plan (the Plan). The Plan is administered by Mass Mutual Retirement Services and is available to all employees immediately upon employment. Employees can elect to defer a percentage of their compensation each year. The District has the ability to amend the Plan. The District did not contribute to the Plan during 2017 and 2016. Employee contributions were approximately \$6,000 and \$8,000 in 2017 and 2016, respectively.

**9. Risk Management and Contingencies:**

**Risk management** – The District 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; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**9. Risk Management and Contingencies (continued):**

**Medical malpractice claims** – The District has professional liability insurance coverage with Coverys. The policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carriers in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims will be covered in the year the claim is reported to the insurance carriers only if the District purchases “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of claims-made policy.

The current malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. There is no deductible under this plan.

No liability has been accrued for future coverage for acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

**Industry regulations** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**Grants** – Grant awards from governmental entities are subject to audits. Such audits could result in claims against the District for disallowed costs or noncompliance with grantor restrictions. The amount, if any, of expenditures that may be disallowed by grantors cannot be determined at this time. However, the District expects any such amounts to be immaterial.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**10. Concentration Risks:**

***Patient accounts receivable*** – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The mix of receivables from patients was as follows:

	<b>2017</b>	<b>2016</b>
Medicare	<b>17 %</b>	19 %
Medicaid	<b>17</b>	47
Other third-party payors	<b>15</b>	17
Patients	<b>51</b>	17
	<b>100 %</b>	100 %

***Physicians*** – The District is dependent on its employed physicians and mid-level practitioners to provide patient care. A decrease in the number of physicians and mid-level practitioners providing these services or change in their utilization patterns may have an adverse effect on District operations.

**11. Going Concern:**

The District has shown consecutive losses since the year ended December 31, 2002, through the year ended December 31, 2016. Beginning with 2016 and continuing through 2017 the operating loss is on a steady decline. The balance owed to the County on registered warrants has continued to be significant each year. In 2014, the County asserted in a letter to the District that registered warrants will be capped at \$750,000. The District was able to stay under this threshold in 2016 and 2017 and has managed to keep amounts under \$550,000 and it has not increased on a year-by-year basis.

The District continues to seek additional ways to increase revenue and improve financial performance. In July 2012, the District's application to become an FQHC was accepted and was approved by Centers of Medicare and Medicaid Services. This status enables the District to receive reimbursements at a higher rate and gives the District the ability to apply for much needed federal grant money. The District was the recipient of a federal grant from the United States Department of Health and Human Services (HRSA). The initial grant was for \$1,163,803, over a term beginning August 1, 2015 through May 31, 2017; the district continues to receive its annual funding with no restrictions. Because the District has been given community health center grant funding, the District is now able to apply for other federal grants in the future which will allow them to become more financially stable.

Working with community partners to provide access to care is very important to the District. Therefore, the District has endeavored to rent unused space to other service providers, bringing in extra revenue to the District while providing much needed services to the community.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**11. Going Concern (continued):**

In June 2014, the District also implemented a new electronic medical records system through Athena Net. Athena Net also took over a portion of the billing function, which was previously done by the District's staff. The District believes that outsourcing some of the billing function will provide additional revenue opportunities by capturing charges that may have been previously overlooked by internal staff. The District also had a fee schedule review performed in the year ended December 31, 2015, and an approximate 33% increase in fees has been made to bring the District more in line with industry averages. This fee schedule has been again reviewed in 2017 and increases have been made where necessary. The fee schedule will be reviewed on an annual basis and decreases or increases will be made accordingly.

The District's first priority is to persist in improving operating efficiency, while continuing to provide quality care.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	From Pass- Through Awards	Direct Awards	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture Cluster						
Women Infant and Children Cluster:						
Passed through the State of Washington Department of Health:						
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program)	10.557	N20802	88,481	-	88,481	-
Total U.S. Department of Agriculture Cluster			88,481	-	88,481	-
Supplemental Nutrition Assistance Cluster:						
Passed through the Spokane Regional Health District:						
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	N21445	24,637	-	24,637	-
Total U.S. Department of Agriculture Cluster			24,637	-	24,637	-
U.S. Department of Health and Human Services						
Health Centers Cluster:						
Grants for New and Expanded Services under the Health Center Program	93.527			748,341	748,341	-
Total U.S. Department of Health and Human Services				748,341	748,341	-
Total Expenditures of Federal Awards			113,118	748,341	861,459	-

*The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2017**

**1. Basis of presentation:**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Grant County Public Hospital District No. 5 doing business as Mattawa Community Medical Clinic (the District) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**2. Summary of Significant Accounting Policies:**

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.





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## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Mattawa Community Medical Clinic January 1, 2017 through December 31, 2017

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The District's financial position continues to place it at risk of not meeting its financial obligations and hinders its ability to provide services at current levels.
<b>Name, address, and telephone of District contact person:</b> Dana Fox, Clinical Director P.O. Box 1581 Mattawa, WA 99349 (549909) 932-4	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The clinic secured foundation grant funding instead of utilizing current operating resources to establish an onsite 340B/retail Pharmacy; which will be the only pharmacy in the community. The pharmacy is in the final stage of implementation; however, the full financial benefits to the clinic will not be realized until 2019.</i>  <i>2. The district requested an increase in the tax levy last November, which was approved by the voters. The additional tax revenue from the levy will decrease the outstanding warrant amount by approximately one third (1/3), but again, those tax dollars will only impact 2018 and future tax years.</i>  <i>3. We reduced the FTE of our low productive provider from full-time to part-time. A more suitable schedule was created to reflect his efforts while decreasing his salary. Additionally, he</i>	

*will no longer be eligible for healthcare benefits, nor will his spouse, resulting in a significant savings to the clinic.*

*4. September 2018, we plan to open three dental operatory rooms to provide dental services for our patients. This will increase our ability to generate new revenue as well as attract new patients.*

*We continue to focus strategically on new services provided as well as to increase the number of patients served directly and through key community partnership that will allow the clinic to grow and become more fiscally stable.*

*Thank you for the opportunity to work with your audit team, I look forward to our continued working relationship.*

**Anticipated date to complete the corrective action:** June 2019

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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Toll-free Citizen Hotline	(866) 902-3900
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