



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

November 8, 2018

Board of Commissioners
Dayton General Hospital and Columbia County Health System
Dayton, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on Dayton General Hospital and Columbia County Health System's financial statements for the fiscal years ended December 31, 2017 and 2016. The District contracted with the CPA firm for this audit and requested that we accept in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

**Columbia County
Public Hospital District No. 1
doing business as
Columbia County Health System**

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2017 and 2016



Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Dayton, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Columbia County Public Hospital District No. 1 doing business as Columbia County Health System (the District) 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 in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 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 for the year ended December 31, 2017. We issued a similar report for the year ended December 31, 2016, dated April 14, 2017, which has not been included with the 2017 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing for each year, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are 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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 16, 2018

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Statements of Net Position
December 31, 2017 and 2016

ASSETS	2017	2016
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,184,733	\$ 1,046,971
Receivables:		
Patient accounts, net of estimated uncollectibles of approximately \$472,000 and \$359,000, respectively	3,067,385	2,852,559
Estimated third-party payor settlements	453,070	148,000
Taxes	9,784	10,816
Taxes receivable restricted for bond principal and interest payments	14,944	15,987
Inventories	308,535	211,037
Prepaid expenses	135,027	48,528
Patient trust fund assets	6,853	5,488
Cash and cash equivalents restricted or limited as to use	681,411	452,696
Total current assets	5,861,742	4,792,082
<i>Noncurrent assets</i>		
Capital assets, net of accumulated depreciation	9,193,047	7,597,959
Cash and cash equivalents restricted as to use	33,623	2,369,616
Total noncurrent assets	9,226,670	9,967,575
Total assets	\$ 15,088,412	\$ 14,759,657

See accompanying notes to basic financial statements.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Statements of Net Position (Continued)
December 31, 2017 and 2016

LIABILITIES AND NET POSITION	2017	2016
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 720,446	\$ 639,577
Accounts payable	1,232,407	889,954
Patient refunds payable	-	113,316
Estimated third-party payor settlements	-	320,739
Accrued compensation and related liabilities	657,967	609,952
Accrued interest payable	37,093	39,144
Patient trust fund	6,853	5,488
Total current liabilities	2,654,766	2,618,170
<i>Noncurrent liabilities</i>		
Construction accounts payable	333,457	386,792
Long-term debt, less current maturities	10,046,135	10,490,718
Total noncurrent liabilities	10,379,592	10,877,510
Total liabilities	13,034,358	13,495,680
<i>Net position</i>		
Net investment in capital assets	(976,152)	(888,437)
Restricted for debt service	692,160	464,488
Unrestricted	2,338,046	1,687,926
Total net position	2,054,054	1,263,977
Total liabilities and net position	\$ 15,088,412	\$ 14,759,657

See accompanying notes to basic financial statements.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2017 and 2016

	2017	2016
<i>Operating revenues</i>		
Net patient service revenue, net of provision for bad debts of approximately \$557,000 and \$127,000, respectively	\$ 17,037,820	\$ 12,990,002
Grants	262,130	157,339
Other	180,265	184,590
Total operating revenues	17,480,215	13,331,931
<i>Operating expenses</i>		
Salaries and wages	7,842,576	6,386,200
Employee benefits	1,366,713	1,109,007
Purchased services	5,167,970	3,564,073
Supplies	1,540,152	1,469,704
Depreciation	1,048,897	695,358
Utilities	367,313	307,729
Insurance	138,076	124,838
Leases and rentals	139,803	69,402
Other	364,994	347,226
Total operating expenses	17,976,494	14,073,537
Operating loss	(496,279)	(741,606)
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	592,502	582,889
Taxation for bond principal and interest	998,109	939,618
Contributions	65,894	74,266
Investment income	13,347	1,198
Loss on disposal of capital assets	(20,837)	-
Interest expense	(362,659)	(269,547)
Total nonoperating revenues (expenses), net	1,286,356	1,328,424
Change in net position	790,077	586,818
<i>Net position, beginning of year</i>	1,263,977	677,159
Net position, end of year	\$ 2,054,054	\$ 1,263,977

See accompanying notes to basic financial statements.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 16,083,869	\$ 12,110,607
Receipts from operating grants	262,130	157,339
Receipts from other revenue	180,265	184,590
Payments to and on behalf of employees	(9,161,274)	(7,257,723)
Payments to suppliers and contractors	(7,559,852)	(5,557,848)
Net cash used in operating activities	(194,862)	(363,035)
<i>Cash flows from noncapital financing activities</i>		
Taxation for maintenance and operations	593,534	584,255
Noncapital contributions	65,894	74,266
Principal paid on long-term debt	(42,429)	(40,172)
Interest paid on long-term debt	(34,936)	(49,103)
Net cash provided by noncapital financing activities	582,063	569,246
<i>Cash flows from capital and related financing activities</i>		
Taxation for bond principal and interest	999,152	940,723
Purchase of capital assets	(2,402,508)	(3,435,384)
Principal paid on long-term debt	(636,934)	(560,167)
Interest paid on long-term debt	(329,774)	(223,590)
Net cash used in capital and related financing activities	(2,370,064)	(3,278,418)
<i>Cash flows from investing activities</i>		
Interest received	13,347	1,198
<i>Net decrease in cash and cash equivalents</i>	(1,969,516)	(3,071,009)
<i>Cash and cash equivalents, beginning of year</i>	3,869,283	6,940,292
Cash and cash equivalents, end of year	\$ 1,899,767	\$ 3,869,283

Noncash Investing, Capital, and Financing Activities

During 2017, the District issued a note payable to GE Government Finance, Inc., in the amount of \$315,649, for the purchase of a computer tomography machine, which is recorded in capital assets.

During 2016, the District issued a note payable to GE Capital in the amount of \$100,228 for the purchase of an ultrasound machine, which is recorded in capital assets.

See accompanying notes to basic financial statements.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Statements of Cash Flows (Continued)
Years Ended December 31, 2017 and 2016

	2017	2016
<i>Reconciliation of Cash and Cash Equivalents</i>		
<i>to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 1,184,733	\$ 1,046,971
Cash and cash equivalents in current assets restricted or limited as to use	681,411	452,696
Cash and cash equivalents in noncurrent assets restricted as to use	33,623	2,369,616
Total cash and cash equivalents	\$ 1,899,767	\$ 3,869,283
<i>Reconciliation of Operating Loss to Net Cash</i>		
<i>Used in Operating Activities</i>		
Operating loss	\$ (496,279)	\$ (741,606)
<i>Adjustments to reconcile operating loss to net cash</i>		
<i>used in operating activities</i>		
Provision for bad debts	557,109	127,191
Depreciation	1,048,897	695,358
Change in:		
Patient accounts receivable	(771,935)	(1,491,315)
Estimated third-party payor settlements receivable	(305,070)	207,929
Inventories	(97,498)	(11,774)
Prepaid expenses	(86,499)	21,880
Accounts payable	342,453	315,018
Patient refunds payable	(113,316)	(43,939)
Estimated third-party payor settlements payable	(320,739)	320,739
Accrued compensation and related liabilities	48,015	237,484
Net cash used in operating activities	\$ (194,862)	\$ (363,035)

See accompanying notes to basic financial statements.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements
Years Ended December 31, 2017 and 2016

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Columbia County Public Hospital District No. 1 doing business as Columbia County Health System (the District) owns and operates Dayton General Hospital, a critical access hospital; Booker Rest Home Annex, a nursing home facility; and Columbia Family Clinic; all in Dayton, Washington, and Waitsburg Clinic in Waitsburg, Washington. The District provides healthcare services to patients in the Columbia County and Waitsburg, Washington, areas. The services provided include an acute care hospital, long-term nursing care, emergency room, physicians' clinics, and the related ancillary procedures (laboratory, imaging, therapy, etc.).

The District operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from payment of federal income tax. The Board of Commissioners consists of five District residents elected to six-year terms.

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. Revenues 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 at a bank. Periodically, such cash is transferred to the Columbia County Treasurer, and the warrants are paid by the County Treasurer from this cash fund. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates less than 90 days as cash and cash equivalents.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and other expenses.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the District's operation.

Assets limited as to use – Assets limited as to use include assets held under bond indenture agreements for debt repayment and assets set aside by the Board of Commissioners for specific purposes over which the Board retains control and could subsequently use for other purposes.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
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)

Capital assets – The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method. Useful lives have been estimated as follows:

Land improvements	10-20 years
Buildings	5-50 years
Fixed equipment	2-15 years
Major movable equipment	2-15 years

Accrued vacation – The District’s policy is to permit employees to accumulate earned but unused paid time off and holiday benefits up to a maximum of 256 to 464 hours, depending on years of service. Upon termination, the unused paid time off accrual is cashed out at a rate of one-half earned days. The related liability is accrued during the period in which it is earned.

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 current 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 remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

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 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.

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.

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.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
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)

Subsequent events – The District has evaluated subsequent events through May 16, 2018, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be refunded 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.

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.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient 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 include 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.

The District's allowance for uncollectible accounts for self-pay 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 writeoffs from third-party payors.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

3. Patient Accounts Receivable (continued):

Patient accounts receivable reported as current assets by the District were as follows:

	2017	2016
Receivables from patients and their insurance carriers	\$ 2,048,547	\$ 1,794,046
Receivables from Medicare	1,345,559	1,186,884
Receivables from Medicaid	145,379	230,815
Total patient accounts receivable	3,539,485	3,211,745
Less allowance for uncollectible accounts	472,100	359,186
Patient accounts receivable, net	\$ 3,067,385	\$ 2,852,559

4. Assets Limited as to Use:

Assets limited as to use consisted of the following:

	2017	2016
<i>Current assets</i>		
Restricted under bond agreement for debt service	\$ 677,216	\$ 448,501
Internally designated by the Board for specific purposes	4,195	4,195
Total current assets	681,411	452,696
<i>Noncurrent assets</i>		
Restricted under bond agreement for capital project	33,623	2,369,616
Total assets limited as to use	\$ 715,034	\$ 2,822,312

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

5. Capital Assets:

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

	Balance December 31, 2016	Additions	Retirements	Transfers	Balance December 31, 2017
<i>Capital assets not being depreciated</i>					
Land	\$ 204,226	\$ -	\$ -	\$ -	\$ 204,226
Construction in progress	2,294,121	2,254,110	-	(4,251,892)	296,339
Total capital assets not being depreciated	2,498,347	2,254,110	-	(4,251,892)	500,565
<i>Capital assets being depreciated</i>					
Land improvements	314,052	41,973	-	96,929	452,954
Buildings	6,386,786	-	(64,879)	3,658,636	9,980,543
Fixed equipment	6,457,920	-	-	396,099	6,854,019
Major movable equipment	3,286,110	421,097	(144,398)	100,228	3,663,037
Total capital assets being depreciated	16,444,868	463,070	(209,277)	4,251,892	20,950,553
<i>Less accumulated depreciation for</i>					
Land improvements	271,555	14,605	-	-	286,160
Buildings	3,890,671	375,978	(34,234)	-	4,232,415
Fixed equipment	5,193,679	292,283	-	-	5,485,962
Major movable equipment	1,989,351	366,031	(101,848)	-	2,253,534
Total accumulated depreciation	11,345,256	1,048,897	(136,082)	-	12,258,071
Total capital assets being depreciated, net	5,099,612	(585,827)	(73,195)	4,251,892	8,692,482
Capital assets, net of accumulated depreciation	\$ 7,597,959	\$ 1,668,283	\$ (73,195)	\$ -	\$ 9,193,047

Construction in progress at December 31, 2017, relates to remodel of several rooms in the hospital, for the purposes of adding a hyperbaric treatment facility. The project was placed in service in January 2018, with an insignificant amount of additional cost incurred.

Total interest costs incurred during the years ended December 31, 2017 and 2016 were \$470,150 and \$501,402, respectively, of which, \$107,491 and \$231,855, respectively, were capitalized.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

5. Capital Assets (continued):

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

	Balance December 31, 2015	Additions	Retirements	Transfers	Balance December 31, 2016
<i>Capital assets not being depreciated</i>					
Land	\$ 204,226	\$ -	\$ -	\$ -	\$ 204,226
Construction in progress	911,569	3,374,103	-	(1,991,551)	2,294,121
Total capital assets not being depreciated	1,115,795	3,374,103	-	(1,991,551)	2,498,347
<i>Capital assets being depreciated</i>					
Land improvements	314,052	-	-	-	314,052
Buildings	5,230,084	-	-	1,156,702	6,386,786
Fixed equipment	6,144,622	-	-	313,298	6,457,920
Major movable equipment	2,320,815	443,744	-	521,551	3,286,110
Total capital assets being depreciated	14,009,573	443,744	-	1,991,551	16,444,868
<i>Less accumulated depreciation for</i>					
Land improvements	263,295	8,260	-	-	271,555
Buildings	3,727,483	163,188	-	-	3,890,671
Fixed equipment	4,911,241	282,438	-	-	5,193,679
Major movable equipment	1,747,877	241,474	-	-	1,989,351
Total accumulated depreciation	10,649,896	695,360	-	-	11,345,256
Total capital assets being depreciated, net	3,359,677	(251,616)	-	1,991,551	5,099,612
Capital assets, net of accumulated depreciation	\$ 4,475,472	\$ 3,122,487	\$ -	\$ -	\$ 7,597,959

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
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 long-term debt follows:

	Balance			Balance		
	December 31,			December 31,		
	2016	Additions	Reductions	2017	Amounts Due Within One Year	
<i>Long-term debt</i>						
2007 limited tax general obligation bonds	\$ 591,216	\$ -	\$ (36,790)	\$ 554,426	\$ 38,690	
2014 limited tax general obligation bonds	1,317,327	-	(78,853)	1,238,474	83,453	
2015 limited tax general obligation bonds	285,000	-	(69,000)	216,000	70,000	
2015 unlimited tax general obligation refunding bonds	3,655,000	-	(250,000)	3,405,000	260,000	
2015 unlimited tax general obligation bonds	5,175,000	-	(165,000)	5,010,000	175,000	
REA loan	6,524	-	(6,524)	-	-	
GE Capital	100,228	-	(34,105)	66,123	33,409	
GE Government Finance Inc.	-	315,649	(39,091)	276,558	59,894	
Total long-term debt	\$ 11,130,295	\$ 315,649	\$ (679,363)	\$ 10,766,581	\$ 720,446	

	Balance			Balance		
	December 31,			December 31,		
	2015	Additions	Reductions	2016	Amounts Due Within One Year	
<i>Long-term debt</i>						
2007 limited tax general obligation bonds	\$ 626,198	\$ -	\$ (34,982)	\$ 591,216	\$ 36,790	
2014 limited tax general obligation bonds	1,391,834	-	(74,507)	1,317,327	78,854	
2015 limited tax general obligation bonds	350,000	-	(65,000)	285,000	69,000	
2015 unlimited tax general obligation refunding bonds	3,895,000	-	(240,000)	3,655,000	250,000	
2015 unlimited tax general obligation bonds	5,330,000	-	(155,000)	5,175,000	165,000	
REA loan	37,374	-	(30,850)	6,524	6,524	
GE Capital	-	100,228	-	100,228	33,409	
Total long-term debt	\$ 11,630,406	\$ 100,228	\$ (600,339)	\$ 11,130,295	\$ 639,577	

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
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 follows:

- Limited Tax General Obligation (LTGO) Bonds dated October 17, 2007, in the original amount of \$875,446, Series 2007A Bond (2007A). The 2007A is due in semiannual installments of \$33,239, including interest at 5.10 percent through December 2028. The District issued the 2007A for the purposes of paying for the construction of new healthcare facilities.
- Limited Tax General Obligation (LTGO) Bonds dated July 31, 2014, in the original amount of \$1,509,798 are due in semiannual installments of \$76,741, including interest at 5.75 percent through December 2028. The District issued the 2014 LTGO Bonds for the purposes of paying, redeeming, and refunding the 2007B Bond.
- Public Hospital District No. 1, Columbia and Walla Walla Counties Limited Tax General Obligation Bond, 2015 (2015 LTGO Bond), dated September 15, 2015, in the original amount of \$350,000. The 2015 LTGO Bond is due in varying annual principal installments from \$70,000 to \$74,000, plus semiannual interest at 2.5 percent through December 2020. The District issued the 2015 LTGO Bond to pay for new electronic health records and computer systems.

All LTGO Bonds 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 maintenance and operations tax upon the taxable property within the District.

- Public Hospital District No. 1, Columbia and Walla Walla Counties, Washington, Unlimited Tax General Obligation Refunding Bonds 2015 (2015 Refunding Bonds), dated March 12, 2015, in the original amount of \$4,180,000. The bonds are due in varying annual principal installments from \$260,000 to \$370,000, plus semiannual interest at 3.6 percent through November 2028. The District issued the bonds to refund the Unlimited Tax General Obligation Bonds dated November 11, 2003.
- Public Hospital District No. 1, Columbia and Walla Walla Counties, Washington, Unlimited Tax General Obligation Refunding Bonds 2015 (2015 UTGO Bonds), dated January 13, 2015, in the original amount of \$5,500,000. The bonds are due in varying annual principal installments from \$175,000 to \$445,000, plus semiannual interest at 4.35 percent through December 2034. The District issued the bonds to finance the renovation of the hospital and nursing home buildings.

For the 2015 Refunding Bonds and the 2015 UTGO bonds, the District is required to levy and collect sufficient taxes each year to pay the bond principal and interest payments due. The 2015 Refunding Bonds and 2015 UTGO Bonds are direct and 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. The voters of the District approved the 2015 Refunding Bonds, and the 2015 UTGO Bonds, and a special levy to pay the principal and interest for each. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year on the 2015 Refunding Bonds and the 2015 UTGO Bonds.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

6. Long-term Debt (continued):

- Note payable to General Electric Capital dated December 13, 2016, in the original amount of \$100,228, payable in monthly installments of \$2,784 through December 1, 2019; secured by ultrasound equipment.
- Note payable to General Electric Capital dated May 8, 2017, in the original amount of \$315,649, payable in monthly installments of \$5,750 through May 1, 2022; secured by computed tomography equipment.

UTGO Bond debt is due as follows:

	UTGO Bonds		
	Principal	Interest	Total
2018	\$ 435,000	\$ 340,515	\$ 775,515
2019	455,000	323,543	778,543
2020	475,000	305,738	780,738
2021	500,000	287,138	787,138
2022	520,000	267,525	787,525
2023-2027	3,005,000	1,009,463	4,014,463
2028-2032	2,160,000	442,834	2,602,834
2033-2034	865,000	56,981	921,981
	\$ 8,415,000	\$ 3,033,737	\$ 11,448,737

LTGO Bond debt is due as follows:

	LTGO Bonds		
	Principal	Interest	Total
2018	\$ 192,143	\$ 103,218	\$ 295,361
2019	201,009	94,602	295,611
2020	210,262	85,550	295,812
2021	143,924	76,038	219,962
2022	152,018	67,943	219,961
2023-2027	898,417	201,388	1,099,805
2028	211,127	8,833	219,960
	\$ 2,008,900	\$ 637,572	\$ 2,646,472

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

6. Long-term Debt (continued):

Other scheduled debt service is as follows:

	Other Long-term Debt		
	Principal	Interest	Total
2018	\$ 93,303	\$ 9,100	\$ 102,403
2018	94,788	6,920	101,708
2020	64,333	4,661	68,994
2021	66,674	2,320	68,994
2022	23,583	225	23,808
	\$ 342,681	\$ 23,226	\$ 365,907

7. Net Patient Service 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 significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District has not changed its charity care or uninsured discount policies during 2017 or 2016. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2017	2016
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 11,335,504	\$ 6,037,711
Medicaid	848,657	1,171,075
Other third-party payors	3,542,433	4,188,935
Patients	1,019,420	951,297
ProShare	615,734	427,002
340b contract pharmacy	303,173	373,860
	17,664,921	13,149,880
Less:		
Charity care	69,992	32,687
Provision for bad debts	557,109	127,191
	\$ 17,037,820	\$ 12,990,002

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

7. Net Patient Service Revenue (continued):

The District has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – The District has been designated as a critical access hospital and the clinics as rural health clinics by Medicare. The District is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.
- *Medicaid* – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Medicaid swing-bed and nursing home services are reimbursed on a prospectively set rate per day. Medicaid rural health clinic services are paid on a prospectively set rate per visit.
- *Other* – The District also has 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 discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare, Medicaid, and other 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. Net patient service revenue increased by approximately \$134,000 and \$236,000 in the years ended December 31, 2017 and 2016, respectively, due to differences between original estimates and final settlements.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. 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 charity 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 charity care patients were approximately \$60,000 and \$28,000 for the years ended December 31, 2017 and 2016, respectively. The District did not receive any gifts or grants to subsidize charity services during 2017 and 2016.

8. 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 July 1. Assessed values are established by the County Assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

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

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

8. Property Taxes (continued):

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 must be authorized by the vote of the people.

The District's regular tax levy was \$0.59182 and \$0.57327 per \$1,000 on a total assessed valuation of \$997,977,819 and \$1,016,771,951, for a total regular levy of \$590,624 and \$582,889 in 2017 and 2016, respectively. The District's 2003 UTGO bond levy was \$0.50958 and \$0.48517 per \$1,000 on a total assessed valuation of \$990,338,004 and \$1,010,092,945, for a total bond levy of \$504,657 and \$490,067 in 2017 and 2016, respectively. The District's 2015 UTGO bond levy was \$0.50453 and \$0.44506 per \$1,000 on a total assessed value of \$990,338,004 and \$1,010,092,945, for a total bond levy of \$499,660 and \$449,551 in 2017 and 2016, respectively.

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.

9. Retirement Plans:

The District has a 401(k) retirement plan and a 457(b) deferred compensation plan covering substantially all of its employees meeting certain eligibility requirements. The plans are defined-contribution plans whereby the District's contribution is based on the salaries of active participants in accordance with the formulas specified in the plans.

A defined-contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined-contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by the Columbia County Public Hospital District No. 1 401(k) Profit Sharing Plan (the 401(k) Plan), any full-time employee who has attained age 21 and completed 12 months of service is eligible to participate in the plan. Contributions made by an employee vest immediately and contributions made by the District vest after five years of full-time employment. An employee who leaves the District's employment is entitled to his or her contributions and the District's contributions if vesting requirements are satisfied. As established by the plan, each participant must contribute at least 1 percent but may contribute up to 100 percent of his or her gross earnings to the pension plan; subject to an \$18,000 limitation set by law. Employees projected to attain age 50 before the end of a calendar year may defer an additional \$6,000 per year. Employees contributed approximately \$282,000 and \$223,000 for the years ended December 31, 2017 and 2016, respectively. The District may contribute matching contributions, employer discretionary contributions, and/or qualified nonelective contributions. The District contributed approximately \$110,000 and \$89,000 for the years ended December 31, 2017 and 2016, respectively.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

9. Retirement Plans (continued):

As established by the Columbia County Public Hospital District No. 1 457(b) Plan (the 457(b) Plan), any employee may become a participant by executing a participation agreement. Contributions made by an employee vest immediately. Employees contributed approximately \$25,000 and \$21,000 to the 457(b) Plan for the years ended December 31, 2017 and 2016, respectively. The District decides annually whether or not to contribute to this plan. The District contributed approximately \$10,000 and \$-0- to the plan in 2017 and 2016, respectively.

The plans are administered by the District. The District established the plan provisions and has the authority to amend the plan provisions.

10. Day Trust:

A trust exists from which the District derives actual or potential benefits but is not under the control of the Board of Commissioners and, therefore, is not recorded as an asset of the District. The trustee is Bank of America. Annual revenue of the trust is divided equally between the District and Dayton School District No. 2. The revenue can be spent at the discretion of each entity for its operations. The District's share of the revenue was approximately \$60,000 and \$70,000 for the years ended December 31, 2017 and 2016, respectively.

11. Risk Management and Contingencies:

Risk management – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the three preceding years.

Medical malpractice claims – The District has its professional liability insurance coverage with Physicians Insurance. The policy provides protection on a “claims made” basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the District purchases insurance to cover “prior acts.” Current coverage is for \$1,000,000 per claim; subject to a \$5,000,000 annual limit, plus an additional \$4,000,000 of annual excess coverage. There is no deductible on this policy.

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

Risk transfer pools – The District has a self-insured workers' compensation plan for its employees. The District is a part of the Public Hospital District Workers' Compensation Trust, which is a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation claims, maintenance of reserves, and administrative expenses. During 2017 and 2016, respectively, the District recognized dividends of \$126,693 and \$112,544 from the Public Hospital District Workers' Compensation Fund, which were offset against workers' compensation expense. Workers' compensation expense, net of dividends, was approximately \$48,000 and \$110,000 in 2017 and 2016, respectively.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

11. Risk Management and Contingencies (continued):

Risk transfer pools (continued) – The District has a self-insured unemployment plan for its employees. The District is part of the Public Hospital District Unemployment Compensation Fund, which is a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual unemployment claims, maintenance of reserves, and administrative expenses. During 2017 and 2016, respectively, the District received dividends of \$37,473 and \$53,233 from the Public Hospital District Unemployment Compensation Fund, which was offset against unemployment expense. Unemployment expense was approximately \$23,000 and (\$10,000) in 2017 and 2016, respectively.

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.

12. Concentrations of Risk:

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 majority of these patients are geographically concentrated in and around Columbia County and Waitsburg, Washington.

The mix of receivables from patients was as follows:

	2017	2016
Medicare	40 %	44 %
Medicaid	7	7
Other third-party payors	36	36
Patients	17	13
	100 %	100 %

Physicians – The District is dependent on local physicians, nurse practitioners, and physician assistants in its services area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of providers providing these services or changes in their utilization patterns may have an adverse effect on hospital services.

INDEPENDENT AUDITORS' 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

Board of Commissioners
Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Dayton, 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 Columbia County Public Hospital District No. 1 doing business as Columbia County Health System (the District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses. These deficiencies are described in the accompanying schedule of findings and responses as findings 2017-001, 2017-002, and 2017-003.

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 its 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*.

The District's Responses to the Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 16, 2018

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Schedule of Findings and Responses
Year Ended December 31, 2017

2017-001 Cash Reconciliation

Criteria	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness Cash accounts should be properly reconciled to bank and County Treasurer statements.
Condition	The reconciliations of bank and County Treasurer statements to the general ledger were not being performed for all accounts.
Context	This finding appears to be a systemic problem.
Effect	The District is at risk of cash transactions being incorrectly recorded, resulting in inaccurate financial reporting. Inaccurate financial reporting makes decision making by the Board of Commissioners and management difficult. The District is also at an increased risk of fraud occurring and not being detected.
Cause	The District did not reconcile all of the bank and County Treasurer accounts.
Recommendation	The District should reconcile bank and County Treasurer accounts on a monthly basis and resolve all variances.
Management's Response	<p>The District continues to work with the monthly documentation received for the Columbia County Treasurer, to work toward an accurate picture of cash at month-end. Cleared and outstanding checks are now routinely updated monthly in our accounts payable computer system. We also have an internal auditor, a new position, who is reconciling the Banner bank merchant account. In addition, with the guidance of the auditors, we have started posting monthly activity in the flexible spending account and the new retirement account, which was split out from the flex account at Homestreet Bank.</p> <p>We have reviewed the monthly posting processes for cash-related activity reported in the Treasurer's monthly reports we receive. Improvement has been made in following the Treasurer's processes and posting methodologies, so we can more accurately record the activity in our books for cash, bond cash, taxes receivable, and debt liabilities.</p> <p>The District has applied more resources to tracking cash and defining the cash reconciliation processes. We are working with our remote billing service to improve timing and reporting of cash accounts receivable related transactions, so we know the impact of their efforts on our cash position.</p>

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Schedule of Findings and Responses (Continued)
Year Ended December 31, 2017

2017-002 Financial Close and Reporting Process

Criteria	<p>[] Compliance Finding [] Significant Deficiency [X] Material Weakness</p> <p>Monthly financial statements should be completed timely and accurately.</p>
Condition	<p>The District does not have processes in place to ensure monthly financial reports are accurate.</p>
Context	<p>This finding appears to be a systemic problem.</p>
Effect	<p>The District is at risk of transactions being incorrectly recorded, resulting in inaccurate financial reporting. Inaccurate financial reporting makes decision making by the Board of Commissioners and management difficult. The District is also at an increased risk of fraud occurring and not being detected.</p>
Cause	<p>The District does not have a systematic process in place to ensure statement of net position accounts are reconciled to their appropriate supporting records or external reports on a monthly basis.</p>
Recommendation	<p>We recommend the District develop policies and procedures for the monthly financial statement closing process to ensure the accuracy of the information presented.</p>
Management's Response	<p>The District's financial staff is more stable than has been the case for some time. Processes and procedures involved in the preparation of financial statements have become more defined. We are looking for ways to involve additional staff resources in account reconciliations, to move toward complete matching of outside documentation to our books.</p> <p>The District's financial staff is updating the documentation of account proofs, whenever possible. The source of journal entry activity is attached, or noted in the journal entries whenever possible. The internal reports we generate to post activity are documented and maintained for use in future months to create standardization of how our journal entries are prepared.</p> <p>Financial staff are still committed to formalization of the prep notes into a preparation guide, so more cross-training can occur and more support staff can become involved in the general ledger preparation.</p>

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Schedule of Findings and Responses (Continued)
Year Ended December 31, 2017

2017-003 Auditor Detected Journal Entries

Criteria	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness The general ledger should be materially accurate prior to the start of audit procedures.
Condition	During the audit process, numerous adjusting journal entries were proposed by the audit team to achieve accurate account balances. Material adjustments were made to correct cash, inventories, long-term debt, fixed assets, accrued interest and related expense, and patient accounts receivable.
Context	This finding appears to be a systemic problem.
Effect	The District is at risk of transactions being incorrectly recorded, resulting in inaccurate financial reporting, which in turn makes decision making by the Board of Commissioners and management difficult. The District is also at an increased risk of fraud occurring and not being detected.
Cause	The District should develop processes to ensure that general ledger accounts are reconciled and agree to supporting documents on a monthly basis.
Recommendation	The District should develop policies and procedures to reconcile its accounts to ensure all transactions are properly recorded.
Management's Response	Both of the preceding findings and responses have a direct bearing on this issue. Cash being reconciled creates accurate balances and lowers the auditor detected journal entries. In the same way, accurate closing steps, with the account balances being matched to outside sources, will also lower the number of auditor detected journal entries. Reconciling any account to a source document, when done routinely in the monthly financial statement preparation, will improve the accuracy of our books at any time period. Our goal is to improve the accuracy of the monthly postings, as compared to source documents, and eliminate the discrepancies that may go undetected until year end. For Treasurer's balances, cash balances, debt schedules, interest expense, etc., the District's financial staff are striving to prepare all monthly entries based upon source documents and reduce the year end, correcting entries being experienced.

Columbia County Public Hospital District No. 1
doing business as Columbia County Health System
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2017

2013-001 Auditor Detected Journal Entries – Repeated as 2014-001, 2015-003, 2016-004, and 2017-003

2014-004 Bank Reconciliations – Repeated as 2015-003, 2016-001, and 2017-001

2016-002 – Financial Close and Reporting Process – Repeated as 2017-002

2016-003 - Patient Accounts Receivable and Unapplied Payments – Resolved in 2017