



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

February 11, 2021

Board of Commissioners
Garfield County Memorial Hospital
Pomeroy, 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 the financial statements of Garfield County Memorial Hospital for the fiscal years ended December 31, 2019 and 2018. The District contracted with the CPA firm for this audit and requested that we accept it 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

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**Garfield County Hospital District No. 1
doing business as
Garfield County Memorial Hospital
and Memory Manor Nursing Home**

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2019 and 2018



DINGUS | ZARECOR & ASSOCIATES^{PLLC}
Certified Public Accountants

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Pomeroy, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Garfield County Hospital District No. 1 doing business as Garfield County Memorial Hospital and Memory Manor Nursing Home (the District) as of and for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 12. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has not presented 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 December 1, 2020, 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 years ended December 31, 2018 and 2019. We issued a similar report for the year ended December 31, 2017, dated August 13, 2019, which has not been included with the 2019 and 2018 financial and compliance report. The purpose of these reports 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 the effectiveness of the District's 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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
December 1, 2020

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Statements of Net Position
December 31, 2019 and 2018

ASSETS	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,438,381	\$ 2,434,125
Receivables:		
Patient accounts	1,300,283	1,072,486
Estimated third-party payor settlements	412,000	61,015
Grants	173,062	52,911
Taxes	2,614	3,636
Cash and cash equivalents, restricted for HUGS Memorial Fund	63,242	56,558
Inventories	32,834	41,500
Prepaid expenses	26,136	12,545
Total current assets	3,448,552	3,734,776
<i>Noncurrent assets</i>		
Capital assets, net	564,076	782,332
Total assets	\$ 4,012,628	\$ 4,517,108

See accompanying notes to basic financial statements.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Statements of Net Position (Continued)
December 31, 2019 and 2018

LIABILITIES AND NET POSITION	2019	2018
<i>Current liabilities</i>		
Accounts payable	\$ 174,763	\$ 169,924
Accrued compensation and related liabilities	156,496	276,911
Accrued vacation	301	77,477
Estimated third-party payor settlements	-	47,224
Capital leases, current	41,367	51,584
Total current liabilities	372,927	623,120
<i>Capital leases, less current portion</i>	-	41,367
Total liabilities	372,927	664,487
<i>Net position</i>		
Net investment in capital assets	522,709	689,381
Restricted for HUGS Memorial Fund	63,242	56,558
Unrestricted	3,053,750	3,106,682
Total net position	3,639,701	3,852,621
Total liabilities and net position	\$ 4,012,628	\$ 4,517,108

See accompanying notes to basic financial statements.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Operating revenues</i>		
Net patient service revenue	\$ 6,780,345	\$ 7,346,231
Grants	739,239	114,528
Electronic health records incentive	-	77,888
Other	44,107	48,329
Total operating revenues	7,563,691	7,586,976
<i>Operating expenses</i>		
Salaries and wages	3,956,642	3,867,997
Employee benefits	965,196	876,254
Professional fees	1,815,297	2,138,278
Supplies	431,031	487,206
Utilities	165,338	185,487
Purchased services	61,600	137,515
Leases and rentals	40,493	62,283
Repairs and maintenance	54,268	92,607
Depreciation and amortization	219,669	314,975
Insurance	88,373	70,064
Other	229,559	223,167
Total operating expenses	8,027,466	8,455,833
<i>Operating loss</i>	(463,775)	(868,857)
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	210,803	205,225
Contributions	7,075	1,831
Interest income	36,833	41,413
Interest expense	(3,856)	(7,032)
Loss on property disposal	-	(5,133)
Total nonoperating revenues, net	250,855	236,304
Change in net position	(212,920)	(632,553)
Net position, beginning of year	3,852,621	4,485,174
Net position, end of year	\$ 3,639,701	\$ 3,852,621

See accompanying notes to basic financial statements.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from patient services	\$ 6,154,339	\$ 7,292,058
Receipts from other revenue	44,107	48,329
Receipts from grants	619,088	61,617
Cash paid to or on behalf of employees	(4,999,014)	(4,777,767)
Cash paid to suppliers and contractors	(3,006,460)	(3,497,728)
Net cash used in operating activities	(1,187,940)	(873,491)
<i>Cash flows from noncapital financing activities</i>		
Property tax for maintenance and operations	211,825	205,202
Contributions received	7,075	1,831
Net cash provided by noncapital financing activities	218,900	207,033
<i>Cash flows from capital and related financing activities</i>		
Interest paid	(3,856)	(7,032)
Principal payments on capital leases	(51,584)	(67,082)
Payments for purchase of capital assets	(1,413)	(35,741)
Net cash used in capital and related financing activities	(56,853)	(109,855)
<i>Cash flows from investing activities</i>		
Interest received	36,833	41,413
Net decrease in cash and cash equivalents	(989,060)	(734,900)
Cash and cash equivalents, beginning of year	2,490,683	3,225,583
Cash and cash equivalents, end of year	\$ 1,501,623	\$ 2,490,683

See accompanying notes to basic financial statements.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents	\$ 1,438,381	\$ 2,434,125
Cash and cash equivalents, restricted for HUGS Memorial Fund	63,242	56,558
Total cash and cash equivalents	\$ 1,501,623	\$ 2,490,683
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</i>		
Operating loss	\$ (463,775)	\$ (868,857)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>		
Depreciation and amortization	219,669	314,975
(Increase) decrease in current assets:		
Receivables:		
Patient accounts	(227,797)	(653,228)
Grants	(120,151)	(52,911)
Estimated third-party payor settlements	(350,985)	551,831
Inventories	8,666	18,286
Prepaid expenses	(13,591)	(11,008)
Increase (decrease) in current liabilities:		
Accounts payable	4,839	(199,576)
Accrued compensation and related liabilities	(120,415)	91,177
Accrued vacation	(77,176)	(33,516)
Estimated third-party payor settlements	(47,224)	47,224
Deferred inflows of resources	-	(77,888)
Net cash used in operating activities	\$ (1,187,940)	\$ (873,491)

See accompanying notes to basic financial statements.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements
Years Ended December 31, 2019 and 2018

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity:

Garfield County Hospital District No. 1 doing business as Garfield County Memorial Hospital and Memory Manor Nursing Home (the District), operates a 25-bed critical access hospital and rural health clinic in Pomeroy, Washington. The District provides healthcare services to patients in Garfield County, Washington, and the surrounding areas. The services provided include acute care hospital, emergency room, rural health clinic, long-term care, and the related ancillary procedures (laboratory, imaging services, therapy, etc.) associated with those services.

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

Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units discussed below are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

The Helpers United Giving Support (HUGS) has been formed to assist, promote, and advance the welfare of the District through activities approved by the Board of Commissioners. HUGS is governed by a four-member board appointed by the District Board of Commissioners. Although it is legally separate from the District, the HUGS is reported as if it was part of the primary government because its sole purpose is to raise funds on behalf of the District and to assist the District in various volunteer and public programs. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements.

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 and 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 accounts at banks. Periodically, these funds are transferred to the operating accounts held by the Garfield County Treasurer (County Treasurer). The County Treasurer acts as the District's treasurer. Warrants are issued against the cash placed with the County Treasurer, and the warrants are redeemed from a commercial bank by the County Treasurer.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. Summary of Significant Accounting Policies (continued):

Cash and cash equivalents (continued) – The County Treasurer invests cash in interest-bearing investments at the direction of the District. For purposes of the statements of cash flows, the District considers all cash and cash investments with original 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 pharmaceutical, medical-surgical, and other supplies used in the District's operation.

Compensated absences – For the year ended December 31, 2018, the District's employees earned paid time off (PTO) at varying rates depending on years of service. PTO accumulated each pay period throughout the year with a maximum accumulation of 260 hours. Employees were allowed to carry over up to 52 hours, depending on years of service.

The District amended its PTO policy in 2019. District employees are now credited with their annual allotment of paid time off, ranging from 128 to 208 hours depending on years of service, annually on January 1st. Unused PTO expires every December 31st and cannot be carried over into the subsequent year.

The District's employees also earn extended illness benefits (EIB) at a rate of .02 hours per regular hour paid. EIB accruals are available for use in the pay period following successful completion of the probationary period. EIB may be accessed immediately for the use of medically qualifying leave for the employee or for immediate family members. The maximum accrual for EIB is 480 hours. Hours in the EIB bank shall not be paid upon resignation or termination of employment.

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, reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is the net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by bond indentures. *Unrestricted net position* is the 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. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses, such as interest.

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.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. Summary of Significant Accounting Policies (continued):

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.

Upcoming accounting standards pronouncements – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The new guidance is effective for the District's year ending December 31, 2021. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Subsequent events – Subsequent events have been reviewed through December 1, 2020, the date on which the financial statements were available to be issued.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

2. Bank Deposits and 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 District has elected to use the County Treasurer to be its treasurer to issue warrants and make investments. Amounts invested in the Washington State Local Government Investment Pool at December 31, 2019 and 2018, were \$999,343 and \$1,912,758, respectively. The Washington State Local Government Investment Pool consists of investments in federal, state, and local government certificates and savings accounts in qualified public depositories.

All cash and cash equivalents held by the County Treasurer or deposited with qualified public depositories are protected against loss by the State of Washington Public Deposit Protection Commission, as provided by RCW Chapter 39.58, subject to certain limitations. Qualified public depositories, including First Federal and Union Bank, pledge securities with this commission, which are available to insure public deposits within the state of Washington. The cash on deposit with these banks is also insured through the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk – The risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. All District deposits are entirely covered by the FDIC or by collateral held in a multiple-financial institution collateral pool administered by the Washington Public Deposit Protection Commission, and all investments are insured, registered, or held by the District's agent in the District's name at qualified public depositories. The District's investment policy does not contain policy requirements that would limit the exposure to custodial risk for investments.

Credit risk – The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a policy specifically requiring or limiting investments of this type.

Concentration of credit risk – The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – The possibility that an interest rate change could adversely affect an investment's fair value. The District does not have a policy specifically managing its exposure to fair value losses arising from changing interest rates.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past collections and identifies trends for each of its patient 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 patients decreased significantly in 2019 due to an increase in payments from patients during the year. 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.

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

	2019	2018
Receivables from patients and their insurance carriers	\$ 287,418	\$ 389,287
Receivables from Medicare	963,444	743,538
Receivables from Medicaid	99,649	123,500
Total patient accounts receivable	1,350,511	1,256,325
Less allowance for uncollectible accounts	(50,228)	(183,839)
Patient accounts receivable, net	\$ 1,300,283	\$ 1,072,486

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

4. Property Taxes:

The Garfield 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 assessed as of the same date and are intended to finance the District's activities of the same calendar year. Assessed values are established by the Garfield County Assessor at 100 percent of fair market values. A revaluation of all property is required every four years.

Taxes are due in two equal amounts by 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.

The District's tax levies are comprised of the following:

2019			
	Levy Rate	Assessed Regular	Total Levy Amount
Regular Levy	0.332408	\$ 614,144,713	\$ 204,147
2018			
	Levy Rate	Assessed Regular	Total Levy Amount
Regular Levy	0.319289	\$ 630,951,964	\$ 201,456

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.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

5. Capital Assets:

All capital assets other than land and construction in progress are being depreciated or amortized (in the case of capital leases) using the straight-line method over the shorter period of the lease term or the estimated useful life of the capital asset. Amortization from equipment under capital leases is included in depreciation and amortization in the financial statements. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. Useful lives have been estimated as follows:

Land improvements	10 to 28 years
Buildings and improvements	5 to 50 years
Equipment	3 to 28 years

The District capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. When such assets are disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues and expenses.

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

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 83,983	\$ -	\$ -	\$ -	\$ 83,983
<i>Capital assets being depreciated</i>					
Buildings and improvements	1,462,273	-	-	-	1,462,273
Land improvements	234,472	-	-	-	234,472
Equipment	3,283,808	1,413	-	-	3,285,221
Total capital assets being depreciated	4,980,553	1,413	-	-	4,981,966
<i>Less accumulated depreciation for</i>					
Buildings and improvements	(1,207,329)	(42,000)	-	-	(1,249,329)
Land improvements	(234,472)	-	-	-	(234,472)
Equipment	(2,840,403)	(177,669)	-	-	(3,018,072)
Total accumulated depreciation	(4,282,204)	(219,669)	-	-	(4,501,873)
<i>Total capital assets being depreciated, net</i>					
	698,349	(218,256)	-	-	480,093
Capital assets, net	\$ 782,332	\$ (218,256)	\$ -	\$ -	\$ 564,076

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

5. Capital Assets (continued):

	Balance December 31, 2017	Additions	Retirements	Transfers	Balance December 31, 2018
<i>Capital assets not being depreciated</i>					
Land	\$ 83,983	\$ -	\$ -	\$ -	\$ 83,983
<i>Capital assets being depreciated</i>					
Buildings and improvements	1,462,273	-	-	-	1,462,273
Land improvements	234,472	-	-	-	234,472
Equipment	3,282,294	35,742	(34,228)	-	3,283,808
Total capital assets being depreciated	4,979,039	35,742	(34,228)	-	4,980,553
<i>Less accumulated depreciation for</i>					
Buildings and improvements	(1,167,460)	(39,869)	-	-	(1,207,329)
Land improvements	(234,472)	-	-	-	(234,472)
Equipment	(2,594,391)	(275,106)	29,094	-	(2,840,403)
Total accumulated depreciation	(3,996,323)	(314,975)	29,094	-	(4,282,204)
Total capital assets being depreciated, net	982,716	(279,233)	(5,134)	-	698,349
Capital assets, net	\$ 1,066,699	\$ (279,233)	\$ (5,134)	\$ -	\$ 782,332

6. Noncurrent Liabilities:

A schedule of changes in the District's capital lease obligations follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
Capital lease obligations	\$ 92,951	\$ -	\$ (51,584)	\$ 41,367	\$ 41,367

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
Capital lease obligations	\$ 160,034	\$ -	\$ (67,083)	\$ 92,951	\$ 51,584

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

6. Noncurrent Liabilities (continued):

Aggregate annual principal and interest payments over the terms of capital lease obligations are as follows:

Year Ending December 31,	Total Capital Lease Obligations		
	Principal	Interest	Totals
2020	\$ 41,367	\$ 984	\$ 42,351

Capital lease obligations – Capital lease obligations are due in monthly installments including principal and interest ranging from \$1,925 to \$2,695, including interest at varying rates from 0.01 percent to 0.02 percent through October 2020; collateralized by the related capital items. At December 31, 2019 and 2018, the capitalized cost of the equipment acquired under the capital lease obligations was \$242,680, and accumulated amortization totaled \$181,917 and \$141,491, respectively.

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 who 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's provisions for bad debts and writeoffs did not change significantly from the prior year. The District has not changed its charity care or uninsured discount policies during 2019 or 2018.

The District has agreements with third-party payors that provide for payments to the District 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 a critical access hospital and Pomeroy Medical Clinic, a rural health clinic 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 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 rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Medicaid swing-bed services are reimbursed on a prospectively set rate per day. Medicaid rural health clinic services are paid on a prospectively set rate per visit. Physician services are reimbursed on a fee schedule.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

7. Net Patient Service Revenue (continued):

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 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 did not change in 2019 or 2018 due to differences between original estimates and final settlements or revised estimates.

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 for the years ended December 31, 2019 and 2018, were approximately \$92,000 and \$70,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2019 and 2018.

8. Electronic Health Records Incentive Payment:

The District recognized Medicare electronic health records (EHR) incentive payments during the year ended December 31, 2018. EHR incentive payments are provided to incent hospitals to become meaningful users of EHR technology.

The District recognized the Medicare EHR incentive payments over five years. The District recognized revenues of approximately \$-0- and \$78,000 during the years ended December 31, 2019 and 2018, respectively. The Medicare EHR reporting period is through December 31 of each year. The program is subject to audit by the Medicare Administrative Contractor.

9. Defined Contribution Retirement Plan:

Through October 2019 the District contributed to the Garfield County Public Hospital District No. 1 403(b) Plan (the 403(b) Plan), a defined contribution plan, for its employees who have completed at least three months of service and have reached 21 years of age. The District matched 50 percent of employee contributions up to 5 percent of their gross wages and employees were permitted to make contributions up to applicable Internal Revenue Code limits.

In October 2019 the District discontinued use of the 403(b) Plan and created the Garfield County Public Hospital District No. 1 §457(b) Deferred Compensation Plan (the Compensation Plan) and the Garfield County Public Hospital District No. 1 401(a) Profit-Sharing Pension Plan (the Profit-Sharing Plan).

The Compensation Plan is available to eligible employees and permits them to defer a portion of their salary until withdrawn in future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions made by employees to the Compensation Plan totaled approximately \$4,000 for the year ended December 31, 2019.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

9. Defined Contribution Retirement Plan (continued):

The District makes nonelective matching contributions to the Profit-Sharing Plan of 50 percent of employee contributions up to 2.5 percent of their gross wages. The District funds all contributions and employees are not allowed to contribute to the Profit-Sharing Plan. The District contributed approximately \$1,000 to the Profit-Sharing Plan for the year ended December 31, 2019.

Employee contributions to the 403(b) Plan totaled approximately \$55,000 and \$96,000 for the years ended December 31, 2019 and 2018, respectively.

Contributions made by the District to the 403(b) Plan totaled approximately \$24,000 and \$38,000, for the years ended December 31, 2019 and 2018, respectively.

Forfeitures and the District's liability to the plans were not material in 2019 and 2018. The plans are administered by the District. The District has the authority to amend the plans.

10. 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.

Medical malpractice claims – The District had professional liability insurance coverage with Physicians Insurance. The policies provide 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. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000 and excess liability coverage of \$1,000,000 per claim with an annual aggregate limit of \$1,000,000. The policy has no deductible per claim.

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.

Self-insurance risk pools – The District has a self-insured workers' compensation plan and a self-insured unemployment plan for its employees. The District participates in the Public Hospital District Workers' Compensation Trust and the Public Hospital District Unemployment Trust, which are risk transfer pools administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation claims, unemployment claims, maintenance of reserves, and administrative expenses. Payments by the District charged to workers' compensation expense were approximately \$88,000 and \$118,000 in 2019 and 2018, respectively. Payments by the District charged to unemployment expense were approximately \$15,000 and \$11,000 in 2019 and 2018, respectively. In 2018, the District received a dividend of approximately \$24,000 from the Public Hospital District Unemployment Trust. No such dividend was received in 2019.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

10. Risk Management and Contingencies (continued):

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 known or unasserted at this time.

11. Concentration of 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 majority of these patients are geographically concentrated in and around Garfield County.

The mix of receivables from patients was as follows:

	2019	2018
Medicare	51 %	31 %
Medicaid	10	21
Other third-party payors	25	20
Patients	14	28
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

12. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Beginning in March 2020, the District began experiencing significant declines in revenues due to the state of Washington temporarily suspending all elective surgeries and other elective procedures. In addition, the District has experienced declines in volumes of outpatient and ancillary services, such as radiology, laboratory, emergency department, and clinic visits.

In April 2020, the District received approximately \$3,300,000 of funding from the CARES Act Provider Relief Fund. Additional distributions from the CARES Act Provider Relief Fund are expected based on announcements by the United States Department of Health and Human Services. The District also received Washington State Health Care Authority funding of approximately \$140,000.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2020, which will increase Medicare reimbursement by 2 percent.

The District also entered into a loan for \$904,717 in May 2020 as part of the Small Business Administration Paycheck Protection Program, also a part of the federal government's response to the pandemic. The loan bears interest at 1 percent and matures in May 2022. The loan has the potential to be forgiven in full or in part based on certain payroll and other costs incurred in the eight-week period following the date of first disbursement of the loan funds.

The District has also received Medicare accelerated payments of approximately \$1,600,000 subsequent to year end. The Medicare accelerated payments will begin to be repaid with one year of receipt.

The District has also implemented cost containment efforts in response to COVID-19.

State and federal governments are also considering additional emergency funding to help hospitals overcome these negative effects.

In addition to accepting funding from the CARES Act Provider Relief Fund, elective surgeries were restarted in May 2020 when the state of Washington removed the restrictions. The District could also utilize its unrestricted reserves to cover operating expenses until revenues recover. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

13. Subsequent Event:

On April 16, 2020, the District entered into a five-year agreement with Allevant Solutions, LLC for consulting services related to ventilator and transitional care, beginning on June 1, 2020, at a rate of \$10,000 per month.



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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
Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Pomeroy, Washington

We have audited, in accordance with the 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 Garfield County Hospital District No. 1 doing business as Garfield County Memorial Hospital and Memory Manor Nursing Home (the District) as of and for the years ended December 31, 2019 and 2018, 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 December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit 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 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 preceding paragraph 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be material weaknesses.

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*.

District's Response to the Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of 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 it.

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 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
December 1, 2020

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Schedule of Findings and Responses
Years Ended December 31, 2019 and 2018

2019-001 Internal Controls over Financial Reporting

[] Compliance Finding [] Significant Deficiency [X] Material Weakness

<i>Criteria</i>	District board members, management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. It is the responsibility of District management to design, implement, and maintain internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting. It is also the responsibility of the District to safeguard the District's assets.
<i>Condition</i>	<p>The District lacks an effective review process to ensure amounts reported on the financial statements, schedules, and notes to the financial statements agree to supporting records and are prepared in accordance with Generally Accepted Accounting Principles (GAAP).</p> <p>The District lacks effective oversight of accounting functions such as ensuring bank reconciliations are performed timely, approval of payroll, posting and review of manual journal entries, reconciliation and review of balance sheet accounts, tracking of third-party payor settlements, and internal controls around charge capture and employee computer access.</p> <p>The District also lacks adequate segregation of duties as follows:</p> <ol style="list-style-type: none"> 1. One person prepares and posts journal entries, prepares the bank reconciliations, and has access to the District's online banking system. 2. Personnel in the business office have both access to cash and the ability to post payments to patient accounts. 3. The Business Office Manager is responsible for approving patient account writeoffs but maintains the ability to post patient account writeoffs.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	Lack of proper internal controls around financial reporting allows for the possibility a material error or fraud can be made and would not be caught in the normal course of performed duties. A lack of proper internal controls around patient adjustments in the Business Office creates the possibility that the Business Office Manager could inappropriately write off accounts and not be detected.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Schedule of Findings and Responses (Continued)
Years Ended December 31, 2019 and 2018

2019-001 Internal Controls over Financial Reporting (continued)

<i>Cause</i>	The District has not committed the necessary time or resources to ensure staff understands proper accounting procedures to perform a detailed review of financial statements, schedules, and notes to the financial statements.
<i>Recommendation</i>	<p>We recommend the District:</p> <ol style="list-style-type: none"> 1. Develop and implement internal control policies and procedures effective at preventing and detecting errors. 2. Prepare and review all bank reconciliations in a timely manner. 3. Restrict access to cash by those employees who also have access to the underlying patient records. 4. Restrict the ability to post journal entries to those employees who are not responsible for reviewing and approving journal entries. 5. Review and approve third-party payor settlements. 6. Develop and implement internal control policies and procedures to ensure employees' computer access is periodically reviewed for appropriateness, as well as removal of terminated employees.
<i>Management's Response</i>	The District has hired a consultant to help improve current processes relating to internal control over financial reporting. The consultant is working to systematically evaluate and improve with staff education, assigning a lead person in-house to gather this information in a timely manner. The District also implemented a new Electronic Health Records system in September 2018, which they feel will help with getting financial data. The District believes this effort will assist in improving in each area in 2019.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Schedule of Findings and Responses (Continued)
Years Ended December 31, 2019 and 2018

2019-002 Auditor Proposed Journal Entries

[] Compliance Finding [] Significant Deficiency [X] Material Weakness

<i>Criteria</i>	District board members, management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions.
<i>Condition</i>	There was a material adjusting journal entry related to grant revenue and significant journal entries related to accounts payable and accrued payroll that were identified, proposed, and prepared by the audit team.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	The accounting records were materially misstated at year end. Inaccurate financial reports could affect board members and management decision making.
<i>Cause</i>	The District does not have a system of internal controls to identify all necessary end-of-year adjustments. See also finding 2019-001.
<i>Recommendation</i>	Adequate internal controls should be implemented to properly reconcile all statement of net position accounts and identify all necessary adjustments prior to the audit process.
<i>Management's Response</i>	The District has hired a consultant to help improve current processes relating to auditor proposed journal entries. The consultant is working to systematically evaluate and improve the monthly processes. This process will happen in 2019 and continue going forward. The District believes this effort will assist in improving in each area in 2019.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Schedule of Findings and Responses (Continued)
Years Ended December 31, 2019 and 2018

2019-003 Contractual Adjustments by Payor

[] Compliance Finding [] Significant Deficiency [X] Material Weakness

<i>Criteria</i>	In accordance with GAAP, required financial statement disclosures include patient accounts receivable net of allowance for doubtful accounts and patient service revenue net of provision for bad debts, each by payor.
<i>Condition</i>	Patient service revenue and contractual adjustments are not accurately and consistently categorized by payor.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	Required financial statement disclosures are not inherent in the general ledger, nor readily available for financial statement disclosure or analysis by management.
<i>Cause</i>	Patient service revenue and contractual adjustment payors have not been accurately and consistently categorized within the District's software.
<i>Recommendation</i>	We recommend the District review and update the classification of each payor in its software to ensure patient service revenues and contractual adjustments are being classified accurately and consistently. Additionally, we recommend the District ensure accurate recording of provision for bad debts and allowance for contractual adjustments in the general ledger by major payor class.
<i>Management's Response</i>	The District has hired a consultant to help improve current processes relating to contractual adjustments by payor. The consultant is working to systematically evaluate and improve this area and will be implemented moving forward. The District believes this effort will assist in improving in each area in 2019.

Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
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Schedule of Findings and Responses (Continued)
Years Ended December 31, 2019 and 2018

2019-004 Department Statistic Tracking

[] Compliance Finding [] Significant Deficiency [X] Material Weakness

<i>Criteria</i>	Departments should individually and consistently track and reconcile patient statistics.
<i>Condition</i>	Several departments, including laboratory, physical therapy, and radiology, were unable to provide reliable patient utilization statistics.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	Management and the Board of Commissioners are unable to make informed, appropriate strategic decisions if the available patient utilization statistics are unreliable. Further, it is difficult for management and the Board of Commissioners to see if the related revenues and expenses are reasonable without knowing the units of services provided.
<i>Cause</i>	Methods of tracking patient utilization statistics are inconsistently followed within each department.
<i>Recommendation</i>	We recommend the District establish policies and procedures by department to accurately track patient utilization statistics. This will provide existing and future employees guidelines on how to track these statistics, thereby increasing accuracy.
<i>Management's Response</i>	The District has hired a consultant to help improve current processes relating to Department Statistics. The consultant is working to systematically evaluate and improve this area with staff education and assigning a lead person in-house to gather this information in a timely manner. The District also implemented a new Electronic Health Records system in September 2018, which they feel will help with getting accurate statistical data. The District believes this effort will assist in improving in each area in 2019.

**Garfield County Hospital District No. 1
doing business as Garfield County Memorial Hospital
and Memory Manor Nursing Home
Summary Schedule of Prior Year Audit Findings
Years Ended December 31, 2019 and 2018**

Prior Year Number	Description	Current Status
2016-001	Internal controls over financial reporting	Repeated-2019-001
2016-002	Auditor proposed journal entries	Repeated-2019-002
2016-003	Contractual adjustments by payor	Repeated-2019-003
2016-004	Department statistic tracking	Repeated-2019-004