



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

March 4, 2021

Board of Commissioners
Pullman Regional Hospital
Pullman, 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 Pullman Regional Hospital for the fiscal year ended December 31, 2019. 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

Americans with Disabilities

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**Public Hospital District No. 1-A of
Whitman County, Washington
doing business as
Pullman Regional Hospital**

Combined Basic Financial Statements and
Independent Auditors' Reports

December 31, 2019 and 2018



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

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Table of Contents

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-2
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	3-13
<i>BASIC FINANCIAL STATEMENTS:</i>	
Combined statements of net position	14-15
Statements of financial position – discretely presented component unit	16
Combined statements of revenues, expenses, and changes in net position	17
Statements of activities – discretely presented component unit	18
Combined statements of cash flows	19-20
Notes to combined basic financial statements	21-51
<i>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</i>	52-53
<i>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</i>	54

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Pullman, Washington

Report on the Financial Statements

We have audited the accompanying combined financial statements of Public Hospital District No. 1-A of Whitman County, Washington doing business as Pullman Regional Hospital (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the combined financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Pullman Regional Hospital Foundation (the Foundation), which is a discretely presented component unit, which represents 7 percent, 7 percent, and 4 percent, respectively, of the assets, net position, and revenues of the District at December 31, 2019, and 5 percent, 8 percent, and 3 percent, respectively, of the assets, net position, and revenues of the District at December 31, 2018. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these combined 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined 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 opinions.

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District and of its discretely presented component unit as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 13 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 13. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such 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.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 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. We issued a similar report for the year ended December 31, 2018, dated May 24, 2019, which has not been included with the 2019 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 the effectiveness of the District's 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
April 23, 2020

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis
December 31, 2019 and 2018

Our discussion and analysis of Public Hospital District No. 1-A of Whitman County, Washington doing business as Pullman Regional Hospital's (the District) financial performance provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. Please read it in conjunction with the District's financial statements, which begin on page 14.

Statement of People & Programs

Public Hospital District No. 1-A (PHD 1-A) is a community consisting of:

- Pullman Regional Hospital (wholly owned by PHD 1-A)
- Pullman Regional Hospital Clinic Services, LLC (wholly owned by PHD 1-A)
 - Palouse Heart Center
 - Palouse Pediatrics
 - Palouse Pulmonology & Sleep Medicine
 - Palouse Psychiatry & Behavioral Health
 - Pullman Family Medicine
- Palouse Surgeons, LLC (jointly owned)
- Palouse Specialty Physicians, P.S. (jointly owned)

We are a community of:

- 558 Employees: 357 full-time and 201 part-time
- 155 Medical Staff (63 in active membership)

As a team we served:

- 1,660 Men, Women, Children, & Newborns as inpatients
- 82,142 Individual outpatient visits
- 43,039 Clinic visits

That totals:

- 4,343 Patient Days (including newborns)
- 358 Deliveries at the hospital
- 1,016 Equivalent Observation Patient Days
- 24,380 Observation hours of care
- 12,662 Patients entered our Emergency Department
- 33,935 Diagnostic Imaging studies completed
- 4,145 Surgical patients, 88 percent surgical vs. 12 percent endoscopy
- 110,516 Laboratory tests were performed

A summary of operations is shown in Table 1.



Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Table 1: Operating Results

Hospital Based Services	YTD	Budget	Variance	% Variance	Prior Year	Variance	% Variance
Admissions	1,289	1,436	(147)	-10.2%	1,301	(12)	-0.9%
LOS	2.82	2.74	0.08	2.9%	2.75	0.07	2.4%
Patient Days	3,632	3,934	(302)	-7.7%	3,581	51	1.4%
Observation Patient Admit	853	743	110	14.8%	731	122	16.7%
Adjusted Patient Days	14,973	14,719	254	1.7%	14,159	814	5.7%
Average Daily Census	10.0	10.8	(0.8)	-7.7%	9.8	0.1	1.4%
Deliveries	358	400	(42)	-10.5%	365	(7)	-1.9%
Summit Therapy	22,797	23,000	(203)	-0.9%	22,558	239	1.1%
Emergency Visits	12,662	12,500	162	1.3%	12,523	139	1.1%
Radiology Procedures	33,935	33,255	680	2.0%	32,835	1,100	3.4%
Lab Tests	110,516	105,000	5,516	5.3%	108,264	2,252	2.1%
Clinic (PRHCN)	YTD	Budget	Variance	% Variance	Prior Year	Variance	% Variance
Heart Center Clinic Visits	3,621	3,013	608	20.2%	2,739	882	32.2%
Pediatrics Clinic Visits	14,339	15,250	(911)	-6.0%	15,222	(883)	-5.8%
Psychiatry & Behavioral Health Clinic Visits	2,740	3,000	(260)	-8.7%	3,053	(313)	-10.3%
Pullman Family Medicine Clinic Visits	20,539	23,000	(2,461)	-10.7%	22,799	(2,260)	-9.9%
Pulmonology Clinic Visits	1,800	1,750	50	2.9%	-	1,800	100.0%

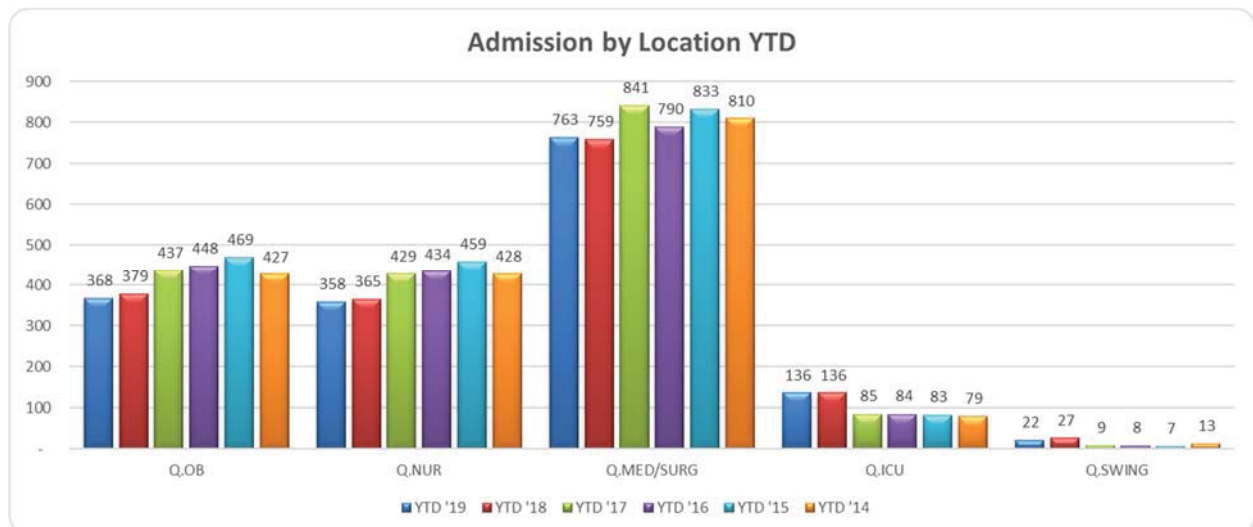
Table 2: Statement of Revenue and Expenses

PHD NO. 1-A OF WHITMAN COUNTY STATEMENT OF REVENUE AND EXPENSES FOR PERIOD ENDING December 31, 2019				
	CURRENT YEAR	PRIOR YEARS		% Variance
	2019	2018	2017	(2019-2018)
TOTAL OPERATING REVENUES	77,167,258	73,819,075	69,831,710	4.5%
OPERATING EXPENSES:				
SWB (Salaries, Wages, & Benefits)	45,869,652	43,437,882	41,176,063	5.6%
SUPPLIES	12,264,275	12,341,532	11,835,189	-0.6%
DEPRECIATION AND AMORTIZATION	3,028,680	3,227,553	2,834,996	-6.2%
ALL OTHER	14,446,276	14,316,031	13,573,997	0.9%
TOTAL OPERATING EXPENSES	75,608,883	73,322,998	69,420,245	3.1%
NET OPERATING INCOME (LOSS)	1,558,375	496,077	411,465	214.1%
NON-OPER INCOME/EXPENSE:				
TAXATION	1,238,949	1,222,773	1,207,679	1.3%
CONTRIBUTIONS	596,128	779,769	295,671	-23.6%
INTEREST INCOME	190,900	169,874	72,383	12.4%
INTEREST EXPENSE	(541,537)	(691,923)	(479,140)	-21.7%
GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS	(32,768)	9,148	(65,699)	-458.2%
OTHER NONOPERATING REVENUES (EXPENSES), NET	(1,483,100)	(842,761)	265,315	76.0%
TOTAL NON-OPERATING	(31,428)	646,880	1,296,209	-104.9%
CHANGE IN NET POSITION	1,526,947	1,142,957	1,707,674	33.6%
*PRH = Pullman Regional Hospital				
**PRCN, LLC = Pullman Regional Hospital Clinic Network, LLC (Palouse Heart Center, Palouse Pediatrics, Palouse Psychiatry & Behavioral Health, Palouse Pulmonology & Pullman Family Medicine)				

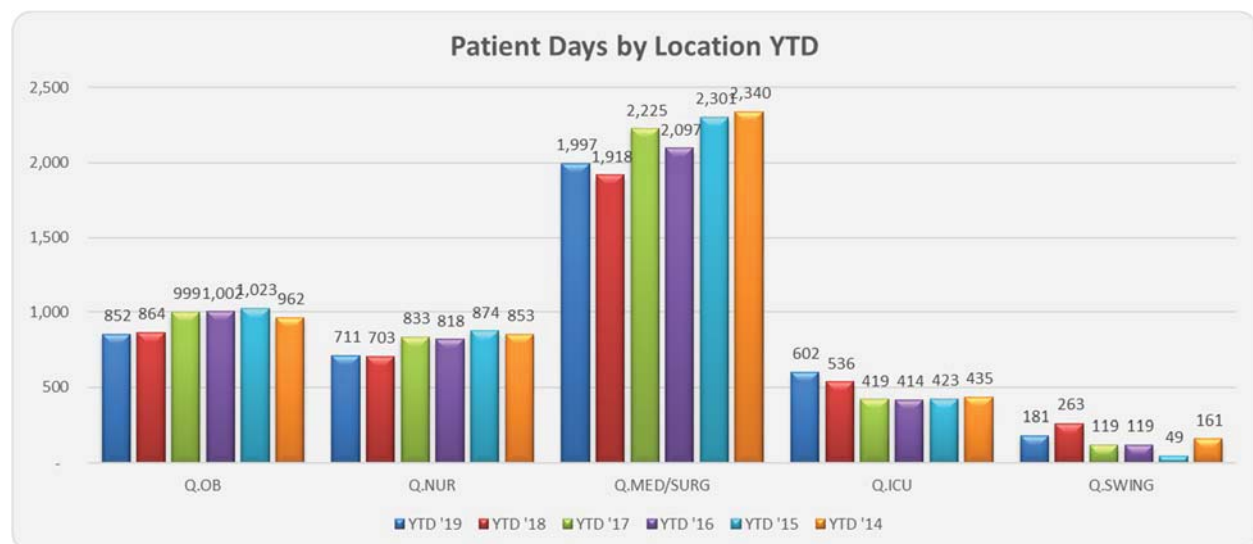
Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Financial Highlights

- The District's net position increased \$1,526,947 in 2019 and increased \$1,142,957 in 2018.
- The District received maintenance and operational levy in 2019 that totaled \$625,599; the remaining taxation was for the debt service on the hospital building bonds.
- Patient Admissions decreased 1 percent in 2019.
- Average Length of Stay (ALOS) – Overall the ALOS increased to 2.82, excluding newborns.

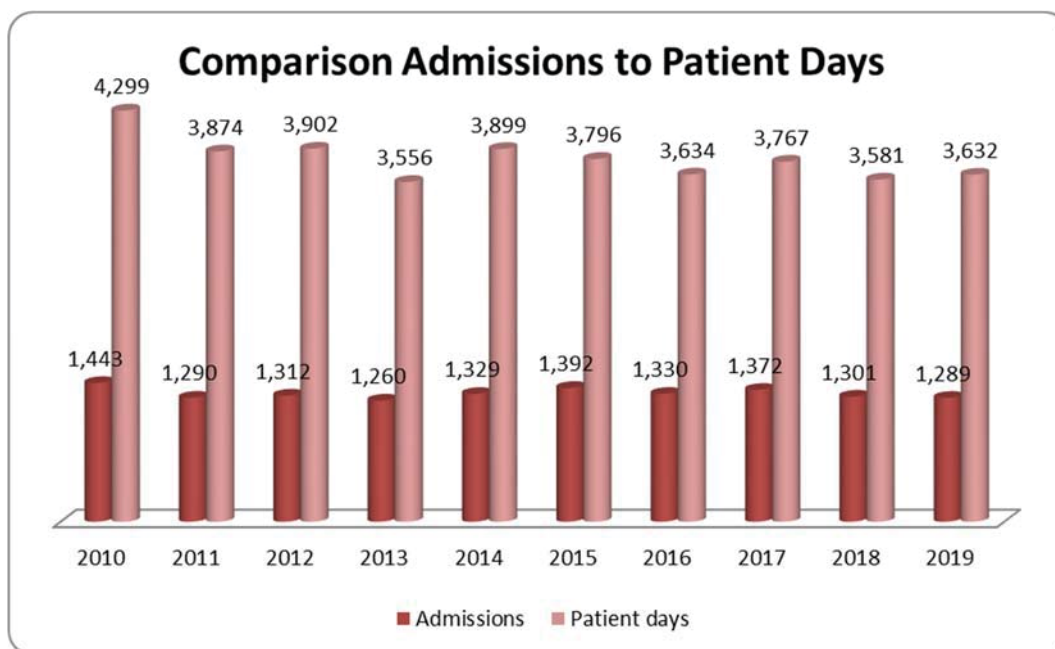


Key: Q.OB=Obstetrics, Q.NUR=Nursery, Q.Med/Surg=Medical/Surgical Unit, Q.ICU=Intensive Care Unit, & Q.Swing=Swing Bed Unit



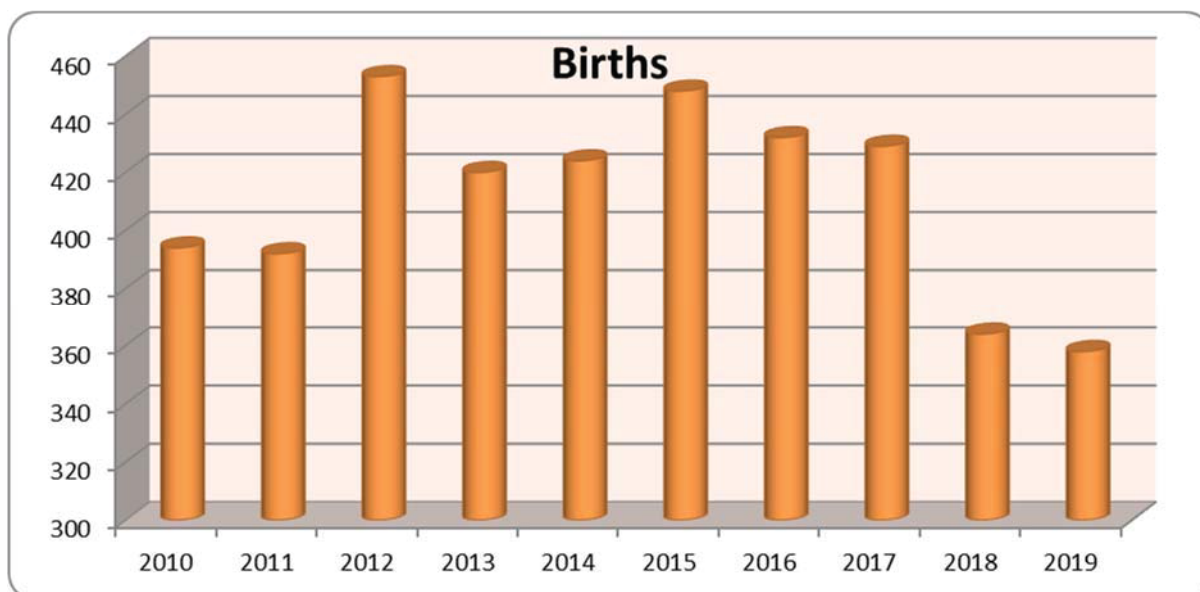
Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Financial Highlights (continued)



- **BirthPlace** – BirthPlace had 358 deliveries for the year, compared to 365 last year. Below is a brief review of delivery methods for 2019. Of special note is the reduction in cesarean sections. Below is a historical look at total births since 2010:

Delivery Method	2015	2016	2017	2018	2019
Normal (Spontaneous)	61.9%	67.4%	63.9%	58.4%	64.5%
Cesarean	33.5%	29.3%	31.7%	36.8%	29.6%
Vacuum	4.6%	3.3%	4.4%	4.8%	5.9%



Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Financial Highlights (continued):

- Emergency Department –Volumes were up 1 percent from 2018. A brief historical review is provided below:

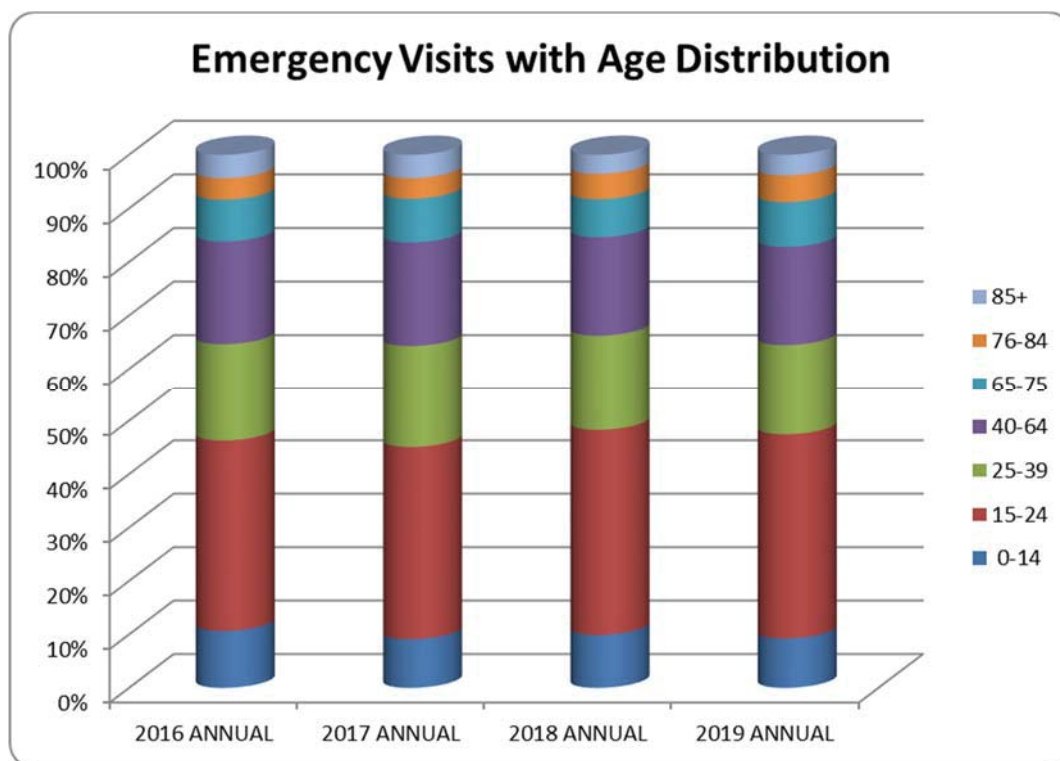
PULLMAN REGIONAL HOSPITAL
EMERGENCY DEPARTMENT STATISTICS REPORT

Census: Total
Census: Average Daily

Volume % by Shift 0700-1500
Volume % by Shift 1500-2300
Volume % by Shift 2300-0700

Admissions * Total
Admissions as a % of visits

2015 Annual	2016 Annual	2017 Annual	2018 Annual	2019 Annual
11,818	12,038	12,188	12,523	12,662
32	33	33	34	35
41.0%	40.2%	41.7%	41.9%	42.6%
44.0%	43.4%	43.4%	43.7%	43.8%
15.0%	16.4%	14.9%	14.4%	13.5%
1,104	1,200	1,214	1,132	1,209
9.34%	9.97%	9.96%	9.04%	9.55%



Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Using This Annual Report

The District's financial statements consist of three statements — a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District, but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the District's finances begins on page 14. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in net position. One can think of the District's net position (the difference between assets and liabilities) as a way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. When reviewing, also consider other nonfinancial factors, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as the local economic factors, to assess the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as, "Where did cash come from?"; "What was cash used for?"; and "What was the change in cash balance during the reporting period?"

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the Combined Statement of Net Position on pages 14 and 15. A simple chart on the Total Margin is presented below:



Table 3: Assets, Deferred Outflows of Resources, Liabilities, and Net Position

	2019	2018	2017
<i>Assets and deferred outflows of resources</i>			
Current assets	\$ 25,627,565	\$ 24,049,482	\$ 21,932,755
Capital assets, net	26,617,931	25,460,024	25,172,510
Other noncurrent assets	929,264	1,454,531	1,720,476
Total assets	53,174,760	50,964,037	48,825,741
Deferred outflows of resources	120,851	151,897	182,943
Total assets and deferred outflows of resources	\$ 53,295,611	\$ 51,115,934	\$ 49,008,684
<i>Liabilities</i>			
Current liabilities	\$ 8,255,678	\$ 6,681,741	\$ 6,616,496
Noncurrent liabilities	12,575,846	13,497,053	12,598,005
Total liabilities	20,831,524	20,178,794	19,214,501
<i>Net position</i>			
Net investment in capital assets	11,632,162	10,200,806	10,891,766
Restricted	807,091	854,468	1,067,481
Unrestricted	20,024,834	19,881,866	17,834,936
Total net position	32,464,087	30,937,140	29,794,183
Total liabilities and net position	\$ 53,295,611	\$ 51,115,934	\$ 49,008,684

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Table 4: Summary of Hospital Statistics

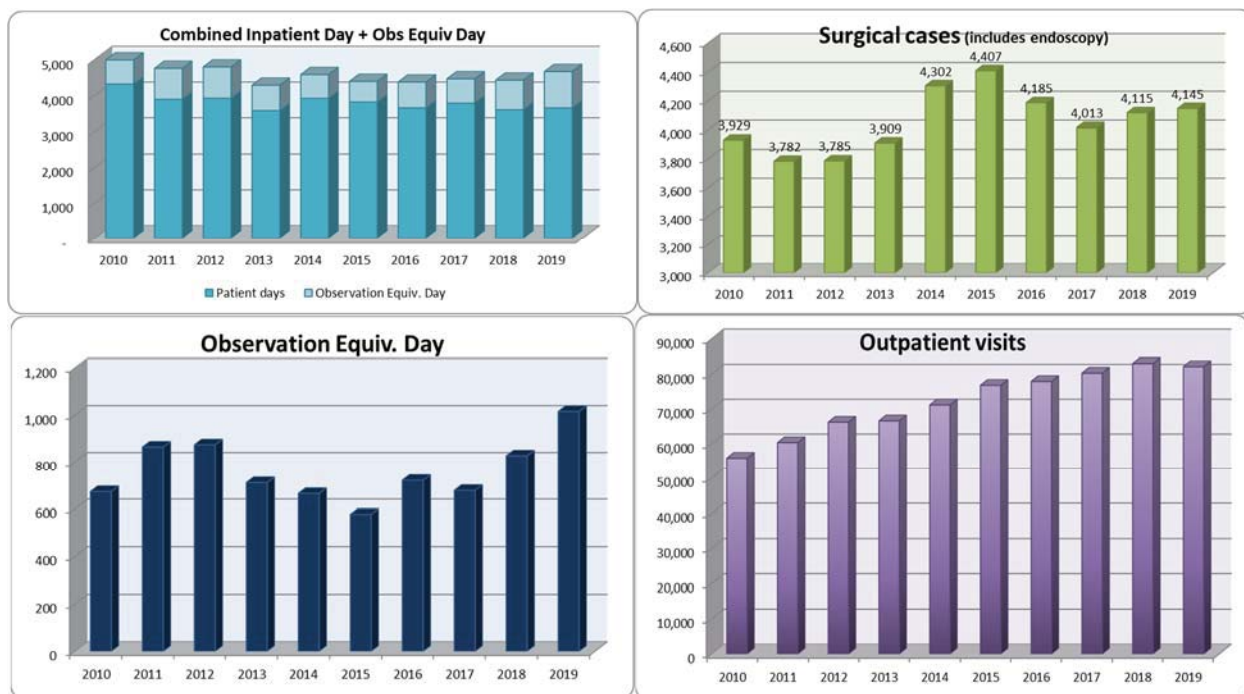
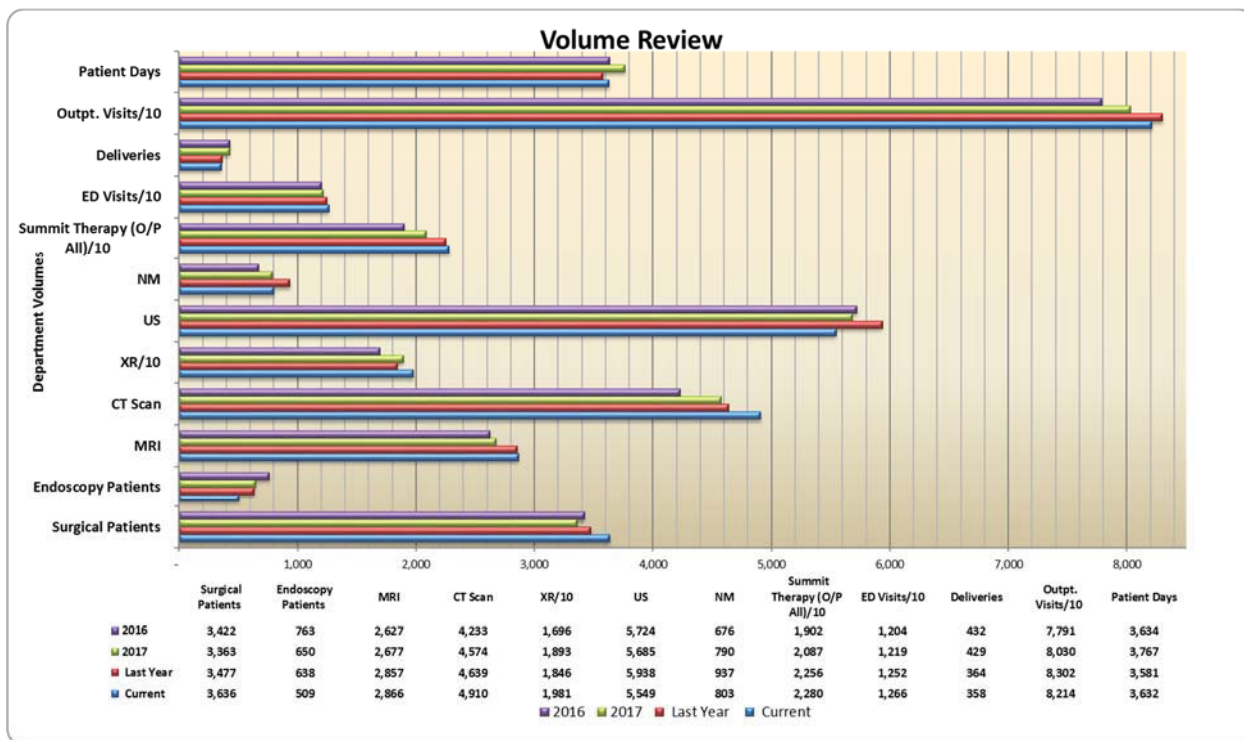


Table 5: Statistical Review



*Summit Therapy includes: P/T, O/T, Speech, Accupuncture, Massage, & Genetic Counseling

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Operating Results and Changes in the District's Net Position

In 2019, the District's net position increased by \$1,526,947 as shown in Table 6.

Table 6: Operating Results and Changes in Net Position

	2019	2018	2017
<i>Operating revenues</i>			
Net patient service revenue	\$ 74,971,248	\$ 72,150,079	\$ 68,470,980
Other operating revenue	2,196,010	1,668,996	1,360,730
Total operating revenues	77,167,258	73,819,075	69,831,710
<i>Operating expenses</i>			
Salaries and benefits	45,869,652	43,437,882	41,176,063
Supplies	12,264,275	12,341,532	11,835,189
Depreciation	3,028,680	3,227,553	2,834,996
Other operating expenses	14,446,276	14,316,031	13,573,997
Total operating expenses	75,608,883	73,322,998	69,420,245
<i>Operating income</i>	1,558,375	496,077	411,465
<i>Nonoperating revenues (expenses)</i>			
Taxation for bond principal and interest	613,350	606,230	612,817
Taxation for maintenance and operations	625,599	616,543	594,862
Interest income	190,900	169,874	72,383
Interest expense	(541,537)	(691,923)	(479,140)
Gain (loss) on disposal of capital assets	(32,768)	9,148	(65,699)
Other, net	(1,483,100)	(842,761)	265,315
Total nonoperating revenues (expenses), net	(627,556)	(132,889)	1,000,538
Excess revenues over expenses before capital contributions	930,819	363,188	1,412,003
<i>Capital contributions</i>	596,128	779,769	295,671
Change in net position	1,526,947	1,142,957	1,707,674
Net position, beginning of year	30,937,140	29,794,183	28,086,509
Net position, end of year	\$ 32,464,087	\$ 30,937,140	\$ 29,794,183

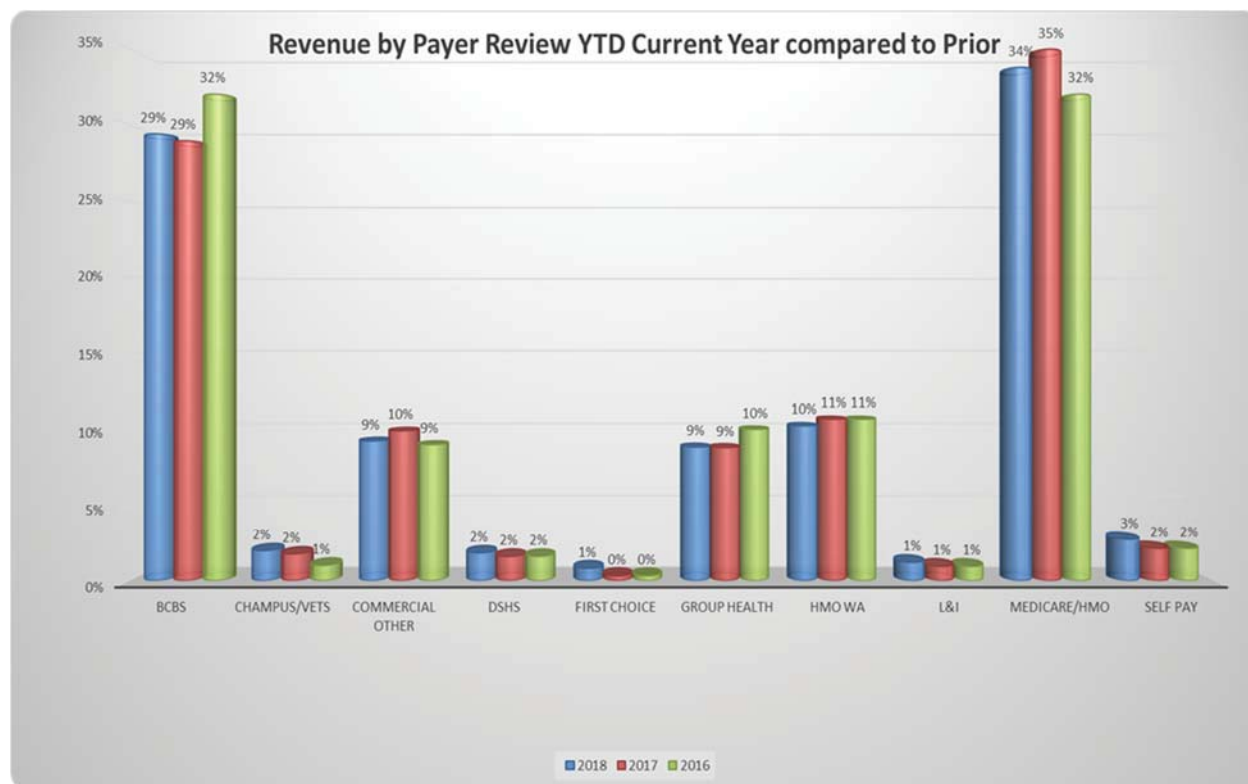
Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Operating Income

The first component of the overall change in the District's net position is its operating income. The operating gain for 2019 was \$1,558,375, compared to operating gain for 2018 at \$496,077. For fiscal year 2019, the District had a year-to-date average daily census of 10.0 patients per day, as compared to 10.8 budgeted and 9.8 last year. The occupancy rate for the year was at 39.8 percent compared to last year's rate of 39.2 percent (this does not include observation patients). Observation hours were up from 2018 by 4,548 hours or 22.9 percent.

Additionally, Table 7 provides a review of the revenue distribution by primary payer to Pullman Regional Hospital.

Table 7: Revenue Distribution By Payer Review



Nonoperating Revenues and Expenses

Nonoperating revenues (expenses) consist primarily of taxation for bond principal and interest on the outstanding District Unlimited Tax General Obligation (UTGO) Bonds, taxation for maintenance and operations, interest income and expenses, and lease income and expenses. It also includes the gain or loss associated with joint venture investments held on the equity basis due to a decrease in the carrying value of these investments.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, as discussed earlier.

Capital Assets and Debt Administration

Capital Assets

As the District has experienced significant growth in surgical volumes since opening the new facility in 2004, the need for expansion has created a new strategic effort. At the end of 2019, the District had \$26,617,931 invested in capital assets, net of accumulated depreciation up \$30,907,609, as detailed in Note 5 to the financial statements.

Debt

At year end, the District had \$12,575,846 in long-term debt and capital lease obligations, excluding current maturities. This is a decrease of \$921,207, or 7 percent, from 2018 as a result of the expanded operating room effort including the expansion of the same day services area.

Other Economic Factors

Public Hospital District No. 1-A, Whitman County, Washington, is located in the southeastern portion of Whitman County (the County). The County is located in eastern Washington and has a 2019 estimated population of 49,046. The District owns and operates Pullman Regional Hospital, Pullman Regional Hospital Clinic Network, LLC (the PRHCN, LLC), is a 40 percent owner in Palouse Surgeons, LLC, and a 45 percent owner in Palouse Specialty Physicians, PS., a joint venture with Gritman Medical Center (Moscow, ID) and Whitman Hospital & Medical Center (Colfax, WA).

Pullman, Washington is situated only six miles west of the Idaho border. Pullman is part of the wheat-producing agricultural area known as the Palouse region. Historically a pea and lentil farming area, the city is also a bustling college town owing to the presence and strong local prominence of Washington State University (WSU). The estimated median household income for Pullman was \$30,548. The main employers in Pullman are Washington State University, Schweitzer Engineering, and Pullman Regional Hospital. Compared to the rest of the country, Pullman's cost of living index was 111 (higher than average, U.S. average is 100). The median property value is \$240,600 (3.26 percent growth).

Contacting the District's Financial Department

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's financial department at: Pullman Regional Hospital Administration, 835 S.E. Bishop Boulevard, Pullman, Washington 99163, email administration@pullmanregional.org, or visit us at www.pullmanregional.org.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Combined Statements of Net Position
December 31, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 12,189,745	\$ 12,544,264
Receivables:		
Patient accounts	10,067,948	7,773,588
Estimated third-party payor settlements	-	120,000
Other	231,280	386,610
Inventories	2,013,309	1,864,133
Prepaid expenses	1,125,283	1,360,887
Total current assets	25,627,565	24,049,482
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for capital acquisition	184,087	260,000
Cash and cash equivalents restricted for debt service	591,494	561,237
Taxes receivable restricted for debt service	31,510	33,231
Capital assets, net	26,617,931	25,460,024
Investment in joint ventures	122,173	600,063
Total noncurrent assets	27,547,195	26,914,555
Total assets	53,174,760	50,964,037
<i>Deferred outflows of resources</i>		
Deferred charge on debt refunding	120,851	151,897
Total assets and deferred outflows of resources	\$ 53,295,611	\$ 51,115,934

See accompanying notes to combined basic financial statements.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Combined Statements of Net Position (Continued)
December 31, 2019 and 2018

LIABILITIES AND NET POSITION	2019	2018
<i>Current liabilities</i>		
Accrued interest payable	\$ 201,904	\$ 225,435
Accounts payable	2,182,320	2,025,435
Capital accounts payable	967,892	263,771
Accrued compensation and related liabilities	3,055,128	2,742,244
Estimated third-party payor settlements	487,456	-
Current maturities of long-term debt and capital lease obligations	1,360,978	1,424,856
Total current liabilities	8,255,678	6,681,741
<i>Noncurrent liabilities</i>		
Long-term debt and capital lease obligations, less current maturities	12,575,846	13,497,053
Total liabilities	20,831,524	20,178,794
<i>Net position</i>		
Net investment in capital assets	11,632,162	10,200,806
Restricted	807,091	854,468
Unrestricted	20,024,834	19,881,866
Total net position	32,464,087	30,937,140
Total liabilities and net position	\$ 53,295,611	\$ 51,115,934

See accompanying notes to combined basic financial statements.

Pullman Regional Hospital Foundation
Discretely Presented Component Unit
Statements of Financial Position – Discretely Presented Component Unit
December 31, 2019 and 2018

ASSETS	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 266,501	\$ 185,936
Investments	610,961	436,911
Promises to give, net of allowances	224,154	136,954
Total current assets	1,101,616	759,801
<i>Noncurrent assets</i>		
Property and equipment, net	18,388	20,559
Assets limited or restricted as to use:		
Cash and cash equivalents	66,582	113,473
Investments	1,753,876	1,185,862
Long-term portion of promises to give (net)	299,160	62,400
Contributions receivable from charitable trusts	252,368	227,203
Total noncurrent assets	2,390,374	1,609,497
Total assets	\$ 3,491,990	\$ 2,369,298
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Deferred revenue	\$ 117,977	\$ 45,195
Current portion of promises to give	845,000	496,260
Total current liabilities	962,977	541,455
<i>Long-term liabilities</i>		
Promises to give, less current portion	135,000	-
Total liabilities	1,097,977	541,455
<i>Net assets</i>		
Without donor restrictions	206,227	96,121
With donor restrictions	2,187,786	1,731,722
Total net assets	2,394,013	1,827,843
Total liabilities and net assets	\$ 3,491,990	\$ 2,369,298

See accompanying notes to combined basic financial statements.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Combined 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	\$ 74,971,248	\$ 72,150,079
Grants	480,432	23,589
Electronic health records incentive revenue	-	255,700
Other	1,715,578	1,389,707
Total operating revenues	77,167,258	73,819,075
<i>Operating expenses</i>		
Salaries and wages	38,037,269	36,250,179
Employee benefits	7,832,383	7,187,703
Professional fees	5,551,647	6,200,364
Supplies	12,264,275	12,341,532
Utilities	828,719	801,882
Repairs and maintenance	2,077,702	2,127,397
Depreciation and amortization	3,028,680	3,227,553
Rent	895,882	749,685
Insurance	304,671	299,494
Other	4,787,655	4,137,209
Total operating expenses	75,608,883	73,322,998
<i>Operating income</i>	1,558,375	496,077
<i>Nonoperating revenues (expenses)</i>		
Taxation for bond principal and interest	613,350	606,230
Taxation for maintenance and operations	625,599	616,543
Contributions	337,226	353,392
Loss on investment in joint venture	(2,045,588)	(1,427,094)
Rental operations	225,262	230,941
Interest income	190,900	169,874
Interest expense	(541,537)	(691,923)
Gain (loss) on disposal of capital assets	(32,768)	9,148
Total nonoperating expenses, net	(627,556)	(132,889)
Excess revenues over expenses before capital contributions	930,819	363,188
<i>Capital contributions</i>	596,128	779,769
Change in net position	1,526,947	1,142,957
Net position, beginning of year	30,937,140	29,794,183
Net position, end of year	\$ 32,464,087	\$ 30,937,140

See accompanying notes to combined basic financial statements.

Pullman Regional Hospital Foundation
Discretely Presented Component Unit
Statements of Activities – Discretely Presented Component Unit
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Unrestricted revenues</i>		
Support and revenue		
Contributions	\$ 1,747,630	\$ 1,248,968
Grants	731,137	11,982
Special event revenue	51,677	61,986
Investment income	38,706	40,035
Investment gain (loss)	74,379	(81,553)
Net assets released from restrictions	138,754	606,106
Total support and revenue	2,782,283	1,887,524
<i>Expenses</i>		
Program services	1,073,347	999,214
Management and general	1,215,324	611,967
Fundraising	383,506	365,964
Total expenses	2,672,177	1,977,145
Operating income (loss)	110,106	(89,621)
Change in net assets without donor restrictions	\$ 110,106	\$ (89,621)
<i>Net assets with donor restrictions</i>		
Contributions	272,568	154,315
Investment income	94,100	114,092
Investment gain (loss)	228,150	(242,037)
Net assets released from restrictions	(138,754)	(606,106)
Change in net assets with donor restrictions	456,064	(579,736)
Change in net assets	566,170	(669,357)
Net assets, beginning of year	1,827,843	2,497,200
Net assets, end of year	\$ 2,394,013	\$ 1,827,843

See accompanying notes to combined basic financial statements.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Combined 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>		
Receipts from and on behalf of patients	\$ 73,284,344	\$ 72,546,717
Receipts from other revenue	1,870,908	975,938
Receipts from grants	480,432	23,589
Payments to or on behalf of employees	(45,556,768)	(43,376,801)
Payments to suppliers and contractors	(26,467,238)	(27,136,707)
Electronic health records incentive payment	-	255,700
Net cash provided by operating activities	3,611,678	3,288,436
<i>Cash flows from noncapital financing activities</i>		
Contributions received	337,226	353,392
Property taxes for maintenance and operations	625,599	616,543
Net cash provided by noncapital financing activities	962,825	969,935
<i>Cash flows from capital and related financing activities</i>		
Property taxes for bond principal and interest	615,071	608,600
Principal paid on long-term debt	(1,460,255)	(10,911,554)
Proceeds from issuance of long-term debt	-	11,450,000
Interest paid	(563,701)	(628,422)
Purchase of capital assets	(3,033,108)	(3,140,049)
Proceeds from sale of capital assets	22,723	10,657
Capital contributions	596,128	1,081,737
Net cash used in capital and related financing activities	(3,823,142)	(1,529,031)
<i>Cash flows from investing activities</i>		
Interest income	190,900	169,874
Rental receipts	260,941	204,547
Cash contributed to joint ventures	(1,603,377)	(1,347,768)
Net cash used in investing activities	(1,151,536)	(973,347)
Net increase (decrease) in cash and cash equivalents	(400,175)	1,755,993
Cash and cash equivalents, beginning of year	13,365,501	11,609,508
Cash and cash equivalents, end of year	\$ 12,965,326	\$ 13,365,501

See accompanying notes to combined basic financial statements.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Combined 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	\$ 12,189,745	\$ 12,544,264
Cash and cash equivalents restricted for capital acquisition	184,087	260,000
Cash and cash equivalents restricted for debt service	591,494	561,237
Total cash and cash equivalents	\$ 12,965,326	\$ 13,365,501
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>		
Operating income	\$ 1,558,375	\$ 496,077
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation and amortization	3,028,680	3,227,553
Provision for bad debts	1,635,574	1,410,770
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(3,929,934)	(1,334,024)
Estimated third-party payor settlements	120,000	319,892
Other	155,330	(413,769)
Inventories	(149,176)	(77,437)
Prepaid expenses	235,604	(357,491)
Increase (decrease) in liabilities:		
Accounts payable	156,885	(44,216)
Accrued compensation and related liabilities	312,884	61,081
Estimated third-party payor settlements	487,456	-
Net cash provided by operating activities	\$ 3,611,678	\$ 3,288,436

Noncash Capital Financing Activities

During the year ended December 31, 2019, the District entered into two capital leases to finance network equipment in the amount of \$455,130 and \$49,719.

During the year ended December 31, 2018, the District entered into a note payable to finance the purchase of a Sag Corrector in the amount of \$195,231.

See accompanying notes to combined basic financial statements.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements
Years Ended December 31, 2019 and 2018

1. Reporting Entity, the Foundation, and Summary of Significant Accounting Policies:

a. Reporting Entity:

Public Hospital District No. 1-A of Whitman County, Washington doing business as Pullman Regional Hospital (the District) operates a 25-bed critical access hospital in Pullman, Washington, as provided for under the laws of the state of Washington for Washington state municipal corporations. The Board of Commissioners consists of seven community members elected to six-year terms. As organized, the District is exempt from payment of federal income taxes.

The reporting entity of the District also includes the consolidated financial information of Pullman Regional Hospital Clinic Network, LLC (PRHCN). PRHCN owns and operates the District's physician practices. The practices operating under this entity include Palouse Pediatrics, PLLC, Palouse Behavioral Health, LLC, Palouse Heart Center, Palouse ENT and Audiology, and Pullman Family Medicine. The District provides financial oversight and support of these practices, appoints PRHCN's management, and is responsible for any losses incurred by these entities.

As required by accounting principles generally accepted in the United States of America, the financial statements present the District — the primary government — and its component unit. The component unit discussed below is included in the District reporting entity because of the significance of its operations and financial relationships with the District.

Pullman Regional Hospital Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized in 1981 to assist the District in fundraising. Although the District does not control the Foundation, the majority of resources or income that the Foundation holds and invests is used for the benefit of the District. Additionally, the District employs certain personnel who work for the Foundation.

b. The Foundation:

The Foundation provided contributions of approximately \$1,356,000 and \$853,000 to the District in 2019 and 2018, respectively.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

The Foundation has pledged to make the following contributions to the District, which are recorded as promises to give in the Foundation's financial statements for the years ended December 31, 2019 and 2018:

Pledge Payable	2019	2018
2019 Highest Needs pledge of \$311,260 to Pullman Regional Hospital, installments of \$103,753 each quarter beginning in June 2019, maturing in December 2019.	\$ -	\$ 311,260
2019 Regional High School Athletic Training Program pledge of to Pullman Regional Hospital, installments of \$45,000 each quarter beginning in June 2019, maturing in December 2019.	-	135,000
2020 Highest Needs pledge of \$710,000 to Pullman Regional Hospital, installments start June 2020, maturing December 2020.	710,000	-
2020 Regional High School Athletic Training Program pledge of \$135,000 to Pullman Regional Hospital, installments start March 2020, maturing December 2020.	135,000	-
2021 Regional High School Athletic Training Program pledge of \$135,000 to Pullman Regional Hospital, installments start March 2021, maturing December 2021	135,000	-
2019 Innovation Director pledge of \$50,000 to Pullman Regional Hospital, installments of \$12,500 each quarter beginning March 2019, maturing December 2019.	-	50,000
Total pledges payable	980,000	496,260
Less: current portion	845,000	496,260
Total	\$ 135,000	\$ -

The District has not recorded these pledges as receivables.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

The Foundation's statement of functional expenses for the year ended December 31, 2019, is as follows:

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ -	\$ 240,999	\$ 252,008	\$ 493,007
Employee taxes and benefits	-	56,701	41,312	98,013
Janitorial	-	1,500	-	1,500
Professional fees	-	30,448	-	30,448
Office supplies	-	5,685	-	5,685
Utilities	-	4,693	-	4,693
Bank charges	-	5,723	-	5,723
Depreciation	-	2,171	-	2,171
Telephone	-	1,235	-	1,235
Hospital	1,032,547	-	-	1,032,547
BSN scholarships	2,000	-	-	2,000
Gaskins pharmacy scholarship	2,500	-	-	2,500
WLG grants	23,800	-	-	23,800
Employee scholarships	12,500	-	-	12,500
McFadden support group	-	-	-	-
Computer maintenance	-	9,094	-	9,094
Planned giving	-	492	-	492
Building rent	-	38,499	-	38,499
Equipment rent	-	4,286	-	4,286
Dues and subscriptions	-	6,087	895	6,982
Donor meetings	-	15,934	-	15,934
Development recognition	-	4,463	4,337	8,800
Annual giving campaign	-	-	42,932	42,932
Special events	-	24,550	1,895	26,445
Marketing	-	3,008	9,485	12,493
Stewardship	-	70	214	284
Postage	-	246	235	481
Campaign	-	-	26,561	26,561
Consulting	-	12,440	716	13,156
Professional development	-	40	2,916	2,956
Minor equipment	-	2,050	-	2,050
Bad debts	-	2,779	-	2,779
Grants	-	742,131	-	742,131
Total expenses	\$ 1,073,347	\$ 1,215,324	\$ 383,506	\$ 2,672,177

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

The Foundation's statement of functional expenses for the year ended December 31, 2018, is as follows:

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ -	\$ 232,264	\$ 244,081	\$ 476,345
Employee taxes and benefits	-	51,051	41,727	92,778
Janitorial	-	1,815	-	1,815
Professional fees	-	33,258	-	33,258
Office supplies	-	4,183	-	4,183
Utilities	-	3,100	-	3,100
Bank charges	-	4,965	-	4,965
Depreciation	-	1,363	-	1,363
Telephone	-	1,222	-	1,222
Hospital	930,252	-	-	930,252
BSN scholarships	4,000	-	-	4,000
Gaskins pharmacy scholarship	2,500	-	-	2,500
WLG grants	22,000	-	-	22,000
Employee scholarships	7,500	-	-	7,500
McFadden support group	32,962	-	-	32,962
Computer maintenance	-	17,005	-	17,005
Planned giving	-	492	-	492
Building rent	-	37,160	-	37,160
Equipment rent	-	4,744	-	4,744
Dues and subscriptions	-	4,380	-	4,380
Donor meetings	-	11,162	-	11,162
Development recognition	-	5,245	199	5,444
Annual giving campaign	-	-	72,494	72,494
Special events	-	11,385	2,698	14,083
Marketing	-	13,676	1,357	15,033
Stewardship	-	18,376	26	18,402
Postage	-	317	-	317
Campaign	-	234	3,382	3,616
Consulting	-	44,692	-	44,692
Professional development	-	1,023	-	1,023
Minor equipment	-	58	-	58
Change in value of receivable in charitable trust	-	95,963	-	95,963
Bad debts	-	852	-	852
Grants	-	11,982	-	11,982
Total expenses	\$ 999,214	\$ 611,967	\$ 365,964	\$ 1,977,145

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

Liquidity and availability of resources – The Foundation has \$676,234 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$148,524, contributions receivable of \$185,151, and short-term investments of \$342,559. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Foundation has a related party relationship with the District, which pays the Foundation’s operating costs in exchange for the Foundation’s fundraising activities. The District’s contributions pay for 100 percent of the administrative services and the majority of the fundraising costs. The Foundation’s general expenses are related to program services. The Foundation has pledged \$845,000 to the District for calendar year 2020, which are expected to be majority of the general expenses for calendar year 2020. The Foundation’s pledge was based on their goal to maintain financial assets available to meet a sufficient amount of normal program services operating expenses for the upcoming year. With the financial assets available within one year of \$676,234 and the special event revenue earned in calendar year 2020, the Foundation will have sufficient assets to meet the pledge payable to the District. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various Level 1 investments.

Investments – The rate of return the Foundation achieved in 2019 and 2018 on its investments was 20.40 percent and (6.88 percent), respectively. The fair values of investments measured on a recurring basis using quoted prices in active markets for identical values (Level 1) are as follows:

	2019	2018
Mutual funds	\$ 2,364,837	\$ 1,622,773

Investments are comprised of the following:

	2019	2018
Equities	64 %	62 %
Fixed Income	25	25
Cash & equivalents	11	13
	100 %	100 %

Investments are made according to the Investment Policy Statement adopted by the Foundation’s Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities including investments classified as alternative investments with performance measured against appropriate indices. The Foundation contracts with an external investment consultant for the purpose of providing investment management and consulting services.

Subsequent to year ended December 31, 2019, investment values have decreased by a material amount.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

Fair value measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation classifies certain of its assets and liabilities based upon established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 – Valuations based on unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Net assets with donor restrictions – Board designated – The Board designated, from net assets without donor restrictions, net assets for the following purpose at December 31, 2019 and 2018, as follows:

	2019	2018
Designated endowment	\$ 268,402	\$ 225,949

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

Net assets with donor restrictions – Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Facility improvement	\$ 615	\$ 540
Employee education scholarship	3,524	3,460
Medical technology	30,964	29,260
Gaskins Pharmacy Scholarship	37,528	34,000
Innovation	2,346	29,126
Women's Leadership Guild	52,086	41,018
Center for Orthopedic Excellence	32,376	38,059
Women's & Children's Center	252,899	227,664
Team Based Care	110,029	-
Family Medical Residency	81,207	-
Total net assets subject to expenditure for specified purpose	603,574	403,127
Subject to Foundation spending policy and appropriation:		
Investment in perpetuity, which, once appropriated, is expendable to support:		
Endowment for Quality and Access	1,457,176	1,313,532
PRH Physician Leadership	36,266	15,063
Druffel Endowment	90,770	-
Total subject to Foundation spending policy and appropriation	1,584,212	1,328,595
Total net assets with donor restrictions	\$ 2,187,786	\$ 1,731,722

Endowment funds – The Foundation has two endowment funds. On August 20, 2013, the Endowment for Quality & Access was funded, and on May 22, 2018, the Physician Leadership Endowment was funded. The endowment funds are segregated by net asset class in accordance with UPMIFA and ASC 958-205 at December 31, 2019, and are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 1,584,212	\$ 1,584,212
Board-designated funds	268,402	-	268,402
Total endowment funds	\$ 268,402	\$ 1,584,212	\$ 1,852,614

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. The Foundation (continued):

Endowment funds (continued) – The following schedule summarizes the change in endowment net assets for the years ended December 31, 2019 and 2018:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions – in Perpetuity	Total
Endowment assets, December 31, 2017	\$ 79,973	1,461,586	\$ 1,541,559
Total investment return	(23,122)	(112,214)	(135,336)
Contributions and other additions (deletions) to corpus	171,370	13,603	184,973
Current year distribution	(2,272)	(34,380)	(36,652)
Endowment assets, December 31, 2018	225,949	1,328,595	1,554,544
Total investment return	50,210	278,720	328,930
Contributions and other additions (deletions) to corpus	-	17,687	17,687
Current year distribution	(7,757)	(40,790)	(48,547)
Endowment assets, December 31, 2019	\$ 268,402	\$ 1,584,212	\$ 1,852,614

The Foundation adheres to a 4.25 percent annual spending rate, based on the average market value of the particular fund for the preceding (3) year period (i.e., a 12 calendar quarter rolling average). This targeted distribution or spending rate is subject to change at the discretion of the Foundation's governing board. The spending rate and related policies will be reviewed annually by the Foundation's Board of Directors, as it reassesses anticipated future rates of inflation, expected total return on investments, and the financial position of Pullman Regional Hospital. The Foundation may also charge a 1.25 percent administrative fee to cover investment, management and accounting costs. The remainder of income and capital appreciation after allocations, if any, is treated as principal. For multi-year awards from endowments, a commitment should not be made until the full multi-year amount is available for spending.

Complete audited financial statements for the Foundation can be obtained from the Pullman Regional Hospital Foundation, 835 SE Bishop Blvd., Pullman, Washington 99163.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

c. 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, deferred outflows of resources and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less.

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 operation of the District.

Noncurrent cash and cash equivalents – Noncurrent cash and cash equivalents consist of amounts collected under the District’s special bond tax levy and amounts externally restricted for capital acquisition.

Investments – Investments include a building that is owned by the District and used as a rental property. Investments also include the District’s share of assets of two jointly owned physician practices, Palouse Surgeons, LLC, and Palouse Specialty Physicians, P.S.

Compensated absences – Nonexempt District employees, whose position is budgeted for 16 hours per pay period, earn personal leave time for subsequent use or for payment. Time is earned at varying rates depending on years of service. Personal leave time that is unused at the end of the employee’s anniversary year will be cashed out at the lesser of their actual personal leave time remaining or 15 percent of the total year’s accrual. Any personal leave time in excess of 15 percent of the total year’s accrual at the end of the anniversary year will be lost. The estimated amount of personal leave time payable is expensed and reported as a component of accrued compensation and related liabilities in the statements of net position. Exempt employees are not subject to specific personal leave requirements, but are instead expected to work hours necessary to accomplish the duties assigned under their job description.

Employees also earn sick leave benefits at varying rates depending on hours worked. Employees may accumulate sick leave up to a maximum of 992 hours. At the end of every year in which an employee’s accrued sick leave exceeds 480 hours, they have the choice of cashing out all excess hours. The hours greater than 480 will be paid at 30 percent of the employee’s year end base wage. Unused sick pay is not paid out upon termination of employment.

PRHCN employees earn paid time off at varying rates, based on years of service. Accumulated paid time off is paid out upon termination of employment. The estimated amount of personal leave time payable is expensed and reported as a component of accrued compensation and related liabilities in the statements of net position.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

c. Summary of Significant Accounting Policies (continued):

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.

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

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, grants, 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.

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, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted 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, 2020, 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.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

c. Summary of Significant Accounting Policies (continued):

Change in accounting principal – The GASB issued statement No. 84, *Fiduciary Activities*, which is effective for the year ended December 31, 2019. GASB No. 84 requires fiduciary component units to be presented in the basic financial statements as discretely presented component units. The District's retirement plans are not material to the District's financial statements and have not been presented in the District's financial statements.

Reclassification – Certain reclassifications have been made to the 2018 financial statements to conform to the classifications used in the 2019 financial statements, with no effect on previously reported change in net position.

Subsequent events – The District has evaluated subsequent events through April 23, 2020, the date on which the financial statements were available to be issued.

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. Amounts invested in the Washington State Local Government Investment Pool at December 31, 2019 and 2018, were \$6,530,810 and \$7,872,383, respectively.

Custodial credit risk – The risk that, in the event of a failure of the counterparty, the District will not be able to recover that value of the deposits or investments that are in the possession of an outside party. All District deposits are entirely covered by the Federal Deposit Insurance Corporation (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's policy is the *Revised Code of Washington*.

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.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

3. Property Taxes:

The Whitman County (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.

The District is permitted by law to levy up to \$0.75 per \$1,000 of assessed valuation for general district purposes. The 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 a vote of the people.

A special Unlimited Tax General Obligation (UTGO) bond levy was authorized in 2019 and 2018. For 2019, the District's UTGO bond levy was \$0.32 per \$1,000 on total assessed property of \$1,924,099,662 for a total of \$613,725. For 2018, the District's UTGO bond levy was \$0.34 per \$1,000 on total assessed property of \$1,812,656,171, for a total of \$607,635.

A maintenance and operations levy (the levy) was approved by the voters of the District for the 2019 and 2018 tax year. In 2019, the levy was \$0.32 per \$1,000 on total assessed property of \$1,928,866,223, for a total levy of \$625,713. In 2018, the levy was \$0.34 per \$1,000 on total assessed property of \$1,812,656,171, for a total levy of \$617,960.

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

4. 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 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 District's allowance for uncollectible accounts for self-pay patients has not changed significantly from prior years. The difference between the standard rates (or the discounted rates if negotiated) and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

4. Patient Accounts Receivable (continued):

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

	2019	2018
Receivables from patients and other insurance carriers	\$ 5,993,950	\$ 4,693,944
Receivables from Premiera Blue Cross	2,055,164	1,614,238
Receivables from Medicare	2,182,645	1,437,113
Receivables from Medicaid	777,084	809,042
Total patient accounts receivable	11,008,843	8,554,337
Less allowance for uncollectible accounts	940,895	780,749
Patient accounts receivable, net	\$ 10,067,948	\$ 7,773,588

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	5-40 years
Buildings	5-40 years
Fixed equipment	3-25 years
Movable equipment	3-20 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 is removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

5. Capital Assets (continued):

Capital asset activity was as follows:

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 1,094,803	\$ -	\$ -	\$ -	\$ 1,094,803
Land held for future expansion	718,502	-	-	-	718,502
Construction in progress	3,107,528	3,308,934	-	(4,388,870)	2,027,592
Total capital assets not being depreciated	4,920,833	3,308,934	-	(4,388,870)	3,840,897
<i>Capital assets being depreciated</i>					
Land improvements	2,902,707	32,340	-	-	2,935,047
Buildings	15,224,307	-	(116,410)	3,012,377	18,120,274
Fixed equipment	15,659,113	-	-	791,266	16,450,379
Movable equipment	16,006,733	900,804	(1,313,821)	585,227	16,178,943
Total capital assets being depreciated	49,792,860	933,144	(1,430,231)	4,388,870	53,684,643
<i>Less accumulated depreciation for</i>					
Land improvements	1,755,216	103,552	-	-	1,858,768
Buildings	4,367,210	358,653	(106,410)	-	4,619,453
Fixed equipment	12,051,907	798,492	-	-	12,850,399
Movable equipment	11,079,336	1,767,983	(1,268,330)	-	11,578,989
Total accumulated depreciation	29,253,669	3,028,680	(1,374,740)	-	30,907,609
Total capital assets being depreciated, net	20,539,191	(2,095,536)	(55,491)	4,388,870	22,777,034
Capital assets, net	\$ 25,460,024	\$ 1,213,398	\$ (55,491)	\$ -	\$ 26,617,931

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined 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	\$ 1,094,803	\$ -	\$ -	\$ -	\$ 1,094,803
Land held for future expansion	718,502	-	-	-	718,502
Construction in progress	1,171,716	2,973,423	(36,680)	(1,000,931)	3,107,528
Total capital assets not being depreciated	2,985,021	2,973,423	(36,680)	(1,000,931)	4,920,833
<i>Capital assets being depreciated</i>					
Land improvements	2,890,310	-	-	12,397	2,902,707
Buildings	15,030,270	14,126	(38,376)	218,287	15,224,307
Fixed equipment	15,407,979	34,340	(11,184)	227,978	15,659,113
Movable equipment	16,151,676	531,367	(1,218,579)	542,269	16,006,733
Total capital assets being depreciated	49,480,235	579,833	(1,268,139)	1,000,931	49,792,860
<i>Less accumulated depreciation for</i>					
Land improvements	1,651,680	103,536	-	-	1,755,216
Buildings	4,111,569	294,020	(38,379)	-	4,367,210
Fixed equipment	11,258,291	804,800	(11,184)	-	12,051,907
Movable equipment	10,271,206	2,025,197	(1,217,067)	-	11,079,336
Total accumulated depreciation	27,292,746	3,227,553	(1,266,630)	-	27,292,746
Total capital assets being depreciated, net	22,187,489	(2,647,720)	(1,509)	1,000,931	20,539,191
Capital assets, net	\$ 25,172,510	\$ 325,703	\$ (38,189)	\$ -	\$ 25,460,024

Construction in progress at December 31, 2019, consisted of the following:

- Orthopedic suite remodel which is estimated to be completed in April 2020. The costs to complete are estimated to be \$182,000.
- Imaging room which is expected to be completed in April 2020. The costs to complete are estimated to be \$366,000.
- Nurse call system which is expected to be completed in February 2020. The costs to complete are estimated to be \$29,000.

As of December 31, 2019, there was a balance of \$718,502 recorded as land held for future expansion, which represents site work on approximately seven acres of land purchased in 2013. Due to the preliminary nature of this project, the expected cost and date of completion cannot yet be determined.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

6. Investments:

The District owns a medical office building as a real property investment. The investment is reported at cost net of related accumulated depreciation. The value of the investment as of December 31, 2019 and 2018, is approximately \$469,000 and \$488,000, respectively.

Palouse Millennium Properties Condominium Association (Condominium Association) manages a medical office building formerly owned by Palouse Millennium Properties LLC. The District receives rental income from rental of the medical office building. The District is responsible for any losses incurred by the Condominium Association.

The District is a member of a joint venture agreement with Gritman Medical Center and Whitman Hospital and Medical Center that owns and operates Palouse Surgeons, LLC (the LLC). The purpose of the joint venture is to improve access to general surgeons and maintain surgeon coverage in the Palouse geographical area. The District and Gritman Medical Center each owns a 40 percent interest, and Whitman Hospital and Medical Center owns a 20 percent interest. During 2019 and 2018, the District made capital contributions of \$713,764 and \$773,759, respectively. The District had an equity contribution due to the LLC at year end 2019 and 2018, and thus, recorded a liability balance for this investment of \$651,027 and \$319,215 as of December 31, 2019 and 2018, respectively. The District is responsible for its respective share of any losses incurred by the LLC.

The District is a member of a joint venture agreement with Gritman Medical Center and Whitman Hospital and Medical Center, and owns and operates Palouse Specialty Physicians, P.S. (Palouse Specialty). The purpose of the joint venture is to manage and oversee specialty physicians that are jointly used by the three joint venture partners. The District and Gritman Medical Center each owns a 45 percent interest, and Whitman Hospital and Medical Center owns a 10 percent interest. During 2019 and 2018, the District made capital contributions of \$889,613 and \$619,233, respectively. The investment had a carrying value of \$318,985 and \$429,114 as of December 31, 2019 and 2018, respectively. The District is responsible for its respective share of any losses incurred by Palouse Specialty.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

6. Investments (continued):

The condensed balance sheets and statements of revenues, expenses, and changes in members' equity of Palouse Surgeons, LLC, are summarized as follows:

	2019	2018
Current assets	\$ 460,359	\$ 928,907
Noncurrent assets	197,764	261,312
Total assets	\$ 658,123	\$ 1,190,219
Current liabilities	\$ 155,779	\$ 391,975
Members' equity	502,344	798,244
Total liabilities and members' equity	\$ 658,123	\$ 1,190,219
Revenue	\$ 2,474,996	\$ 3,722,459
Expenses	5,088,936	5,712,268
Net loss	(2,613,940)	(1,989,809)
Equity contributions	2,318,040	2,266,384
Change in members' equity	(295,900)	276,575
Members' equity, beginning of year	798,244	521,669
Members' equity, end of year	\$ 502,344	\$ 798,244

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

6. Investments (continued):

The condensed balance sheets and statements of revenues, expenses, and changes in members' equity of Palouse Specialty Physicians, P.S., are summarized as follows:

	2019	2018
Current assets	\$ 931,642	\$ 734,009
Noncurrent assets	270,427	335,461
Total assets	\$ 1,202,069	\$ 1,069,470
Current liabilities	\$ 320,651	\$ 60,408
Members' equity	881,418	1,009,062
Total liabilities and members' equity	\$ 1,202,069	\$ 1,069,470
Revenue	\$ 3,251,267	\$ 2,875,172
Expenses	5,473,516	4,277,770
Net loss	(2,222,249)	(1,402,598)
Equity contributions	2,094,605	1,397,091
Change in members' equity	(127,644)	(5,507)
Members' equity, beginning of year	1,009,062	1,014,569
Members' equity, end of year	\$ 881,418	\$ 1,009,062

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

7. Employee Health Self-insurance:

The District participates in a self-insured health insurance plan administered by Premera Blue Cross (the TPA). District employees who work twenty or more hours per week are eligible to participate beginning in the month following their employment date. PRHCN employees are not eligible to participate in this plan. The District records plan expenses as incurred. The District also has an agreement with LifeWise to provide excess loss insurance coverage. Coverage under this excess loss plan is effective when individual claims exceed \$100,000. The calculation of loss coverage is based upon a set dollar amount per covered employee. The District accrues an incurred but not reported liability for plan claims that have been incurred but are not yet reported to the TPA. The liability is included in accrued compensation and related liabilities on the combined statements of net position. Activity in the District's accrued employee health claims liability is as follows:

	2019	2018
Balance, beginning of period	\$ 215,500	\$ 265,300
Current year claims incurred and changes in estimates	2,833,565	2,384,371
Claims and expenses paid	(2,803,065)	(2,434,171)
Balance, end of period	\$ 246,000	\$ 215,500

8. Long-term Debt and Capital Lease Obligations:

A schedule of changes in the District's long-term debt and capital lease obligations follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
<i>Bonds payable</i>					
Unlimited tax general obligation bonds:					
2011 refunding	\$ 1,590,000	\$ -	\$ (505,000)	\$ 1,085,000	\$ 525,000
2011 bond premium	89,036	-	(29,679)	59,357	-
Limited tax general obligation bond refunding 2018	11,450,000	-	(203,091)	11,246,909	228,459
<i>Notes Payable</i>					
Insight Investments	850,671	-	(209,633)	641,038	199,585
GE Healthcare MRI & CT	562,084	-	(371,251)	190,833	190,833
GE Healthcare Prodyse	56,444	-	(48,381)	8,063	8,063
Doctor Simpson & Palouse Heart Center	195,231	-	(36,144)	159,087	50,000
Total long-term debt	14,793,466	-	(1,403,179)	13,390,287	1,201,940
<i>Capital lease obligations</i>	128,443	504,849	(86,755)	546,537	159,038
Total long-term debt and capital lease obligations	\$ 14,921,909	\$ 504,849	\$ (1,489,934)	\$ 13,936,824	\$ 1,360,978

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

8. Long-term Debt and Capital Lease Obligations (continued):

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
<i>Bonds payable</i>					
Unlimited tax general obligation bonds:					
2011 refunding	\$ 2,070,000	\$ -	\$ (480,000)	\$ 1,590,000	\$ 505,000
2011 bond premium	118,714	-	(29,678)	89,036	-
Limited tax general obligation bonds 2014	9,513,925	-	(9,513,925)		-
Limited tax general obligation bond refunding 2018	-	11,450,000	-	11,450,000	203,091
<i>Notes Payable</i>					
Doctor Simpson & Palouse Heart Center	-	195,231	-	195,231	50,000
Insight Investments	1,088,570	-	(237,899)	850,671	191,845
GE Healthcare Financial Services	919,871	-	(301,343)	618,528	388,165
Total long-term debt	13,711,080	11,645,231	(10,562,845)	14,793,466	1,338,101
<i>Capital lease obligations</i>	506,830	-	(378,387)	128,443	86,755
Total long-term debt and capital lease obligations	\$ 14,217,910	\$ 11,645,231	\$ (10,941,232)	\$ 14,921,909	\$ 1,424,856

Long-term debt – Unlimited Tax General Obligation Refunding Bonds, 2011, payable to D.A. Davidson & Co., dated August 30, 2011, in the original amount of \$3,895,000, due in annual principal installments ranging from \$525,000 to \$560,000, plus interest due semiannually at 5 percent through December 2021. The District issued the bonds for the call, payment, and redemption of the callable portion of the Unlimited Tax General Obligation Bonds, Series 2001 and 2002.

The 2011 Unlimited Tax General Obligation 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 2011 bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

Healthcare System Revenue Bonds 2018 (the Bond), in the original amount of \$11,450,000 payable to Columbia State Bank, used to refund Healthcare System Revenue Bonds 2014. The Bond is payable in semiannual principal and interest installments of \$310,618, to be paid January 1 and July 1 of each year, including interest at 3.51 percent, the remaining principal balance is due July 2028, unless the District and Columbia State Bank mutually agree to extend for an additional period of time.

The Bond includes financial covenants that must be complied with as a condition of the bonds.

Note payable to GE Healthcare Financial Services for MRI and CT equipment, dated June 13, 2017, in the original amount of \$1,092,525, due in monthly principal and interest installments of \$32,150, including interest at 3.7 percent, through July 1, 2020. The note is collateralized by equipment.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

8. Long-term Debt and Capital Lease Obligations (continued):

Long-term debt (continued) – Note payable to Insight Investments, LLC, for equipment, dated December 1, 2017, in the original amount of \$1,088,570, due in monthly principal and interest installments of \$19,963, including interest at 3.96 percent, through November 1, 2022. The note is collateralized by equipment.

Note payable to GE Healthcare Financial Services for Sag Corrector equipment, dated February 1, 2018, in the original amount of \$96,761, due in monthly payments of \$4,032, through February 1, 2020. The note is collateralized by equipment.

Note payable to Doctor Simpson and the Palouse Heart Center, dated March 13, 2018, in the original amount of \$250,000, due in annual payments of \$50,000, through March 13, 2022.

Capital lease obligations – Capital lease obligations are due in monthly installments including principal and interest at varying amounts \$1,642 and \$8,324, including interest at varying rates from 3.85 percent to 8.54 percent through December 2024; collateralized by capital. At December 31, 2019 and 2018, the capitalized cost of the equipment acquired under the capital lease obligations was \$721,257 and \$377,529, respectively, and accumulated amortization was \$115,395 and \$222,339, respectively.

Scheduled principal and interest payments are as follows:

Years Ending December 31,	UTGO Bonds Payable		
	Principal	Interest	Total
2020	\$ 525,000	\$ 54,250	\$ 579,250
2021	560,000	28,000	588,000
	\$ 1,085,000	\$ 82,250	\$ 1,167,250

Years Ending December 31,	LTGO Bonds Payable		
	Principal	Interest	Total
2020	\$ 228,459	\$ 392,779	\$ 621,238
2021	236,547	384,690	621,237
2022	244,923	376,314	621,237
2023	253,595	367,642	621,237
2024	262,574	358,663	621,237
2025-2028	10,020,811	4,888,875	14,909,686
	\$ 11,246,909	\$ 6,768,963	\$ 18,015,872

Years Ending December 31,	GE Healthcare Notes		
	Principal	Interest	Total
2020	\$ 198,896	\$ 2,065	\$ 200,961
	\$ 198,896	\$ 2,065	\$ 200,961

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

8. Long-term Debt and Capital Lease Obligations (continued):

Years Ending December 31,	Insight OR Notes Payable		
	Principal	Interest	Total
2020	\$ 199,585	\$ 20,010	\$ 219,595
2021	226,146	13,414	239,560
2022	215,307	4,289	219,596
	\$ 641,038	\$ 37,713	\$ 678,751

Years Ending December 31,	Doctor Simpson & Palouse Heart Center Note		
	Principal	Interest	Total
2020	\$ 50,000	\$ -	\$ 50,000
2021	50,000	-	50,000
2022	59,087	-	59,087
	\$ 159,087	\$ -	\$ 159,087

Years Ending December 31,	Capital Lease Obligations		
	Principal	Interest	Total
2020	\$ 159,038	\$ 17,252	\$ 176,290
2021	112,324	12,427	124,751
2022	90,892	9,000	99,892
2023	94,453	5,439	99,892
2024	89,830	1,738	91,568
	\$ 546,537	\$ 45,856	\$ 592,393

Line of credit – The District has a corporate line of credit through Elan Financial Services One Card, with a credit limit of \$800,000 as of December 31, 2019. Elan may charge a delinquency fee of 2.5 percent of the past due amount not paid by the second billing cycle and 2.5 percent of the past due amount not paid by each subsequent billing cycle. The agreement will remain in effect for five years and will continue thereafter until terminated. This line of credit had an outstanding balance of approximately \$417,330. The balance is recorded in accounts payable in the combined statement of net position.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

9. Retirement Plans:

The District sponsors a deferred compensation plan. The Pullman Regional Hospital 457b Deferred Compensation Plan (the 457b Plan) covers substantially all the District's employees who have reached the age of 18. Participants may defer a percentage of their compensation up to certain limits specified by the Internal Revenue Code. Participants are fully vested in their salary deferrals to the 457b Plan. Participant contributions to the 457b Plan during the years ended December 31, 2019 and 2018, were approximately \$2,078,000 and \$1,914,000, respectively.

The District sponsors a 401a Pension Plan (the 401a Plan) for the District's matching contributions to the 457b Plan. Participants must be 18 years of age to participate, be employed in a regular part-time or greater position (at least 40 hours per two-week pay period) and have been employed for at least one year before the matching contributions begin. The District matches 5 percent of gross earnings not to exceed \$5,000 per calendar year. Once contributions are made into the 401a Plan, the contributions are 100 percent vested. The District made matching contributions to the 401a Plan of approximately \$980,000 and \$944,000, for the years ended December 31, 2019 and 2018, respectively. The 457b Plan and 401a Plan are administered by VALIC Retirement Services Company (VALIC).

The District also sponsors a 414-H profit-sharing plan called the Public Hospital District No. 1-A of Whitman County Pension Plan (the 414-H Plan). As a condition of employment, anyone employed as an emergency physician must participate in the 414-H Plan. Employee nonelective contributions in the amount of \$840 of compensation per pay period are required. A participant must be employed on the last day of the 414-H Plan year, December 31, in order to share in the allocation, unless the participant worked at least 1,000 hours of service during the year. Participant contributions to the 414-H Plan for the years ended December 31, 2019 and 2018, were approximately \$304,000 and \$293,000, respectively. The 414-H Plan is administered by VALIC.

PRHCN sponsors the Palouse Pediatrics 401(k) Plan (the Plan). PRHCN matches 100 percent of each participant's first 3 percent of salary deferrals made into the Plan, plus 50 percent of the participant's deferrals that exceed 3 percent but do not exceed 5 percent of the participant's compensation. Participants are eligible for the employer matching contributions once they have completed three consecutive months of employment and are 21 years of age. Participants are fully vested in PRHCN's matching contributions to the Plan. Participant contributions to the Plan during the years ended December 31, 2019 and 2018, were approximately \$268,000 and \$226,000, respectively. PRHCN made matching contributions to the Plan of approximately \$141,000 and \$167,000 in the years ended December 31, 2019 and 2018, respectively. The Plan is administered by PRHCN.

The District has the authority to amend all retirement plans.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

10. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage based on contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue based on its standard rates for services provided (or based on discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. The District's provisions for bad debts and writeoffs have not changed significantly from prior years. The District has not changed its charity care or uninsured discount policies during the years ended December 31, 2019 or 2018. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors. Patient 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:

	2019	2018
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 24,706,900	\$ 21,632,670
Medicaid	7,278,316	7,873,423
Premera Blue Cross	26,346,618	25,232,570
Other third-party payors	16,103,617	16,747,135
Patients	3,121,330	3,203,064
	77,556,781	74,688,862
Less:		
Charity care	949,959	1,128,013
Provision for bad debts	1,635,574	1,410,770
Net patient service revenue	\$ 74,971,248	\$ 72,150,079

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 is as follows:

- *Medicare* – The District is classified as a critical access hospital and is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the District and subject to audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.
- *Medicaid* – The majority of Medicaid beneficiaries are covered through health maintenance organizations operated by commercial insurance companies. The District is reimbursed for inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses for the District.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

10. 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 decreased by approximately \$136,000 and \$247,000 in 2019 and 2018, respectively, 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 \$507,000 and \$627,000, respectively. Disproportionate share hospital payments from the state of Washington received to subsidize charity services provided for the years ended December 31, 2019 and 2018, were approximately \$63,000 and \$123,000, respectively.

11. 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 has professional liability insurance with Coverys Specialty Insurance Company (Coverys). The Coverys policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has no deductible.

The District also has excess professional liability insurance with Coverys on a claims-made basis. The excess malpractice insurance provides \$9,000,000 per claim of primary coverage with an annual aggregate limit of \$9,000,000. The policy has no deductible.

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

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

11. 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 unknown or unasserted at this time.

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 2019 and 2018, respectively, the District recognized dividends of approximately \$108,000 and \$165,000 from the Public Hospital District Workers' Compensation Fund, which were used to reduce payments charged to workers' compensation expense. Payments by the District charged to workers' compensation expense, net of related dividends, were approximately \$217,000 and \$122,000 in 2019 and 2018, respectively.

12. Concentrations:

Receivables – 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 Whitman County.

The mix of receivables from patients was as follows:

	2019	2018
Medicare	27 %	25 %
Medicaid	8	10
Premiera Blue Cross	22	21
Other third-party payors	31	25
Patients	12	19
	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 the District's operations.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

12. Concentrations (continued):

Collective bargaining unit – The District has a collective bargaining agreement with the Washington State Nurses Association (the WSNA) effective from October 1, 2019, through September 30, 2022. As of December 31, 2019 and 2018, approximately 18 percent of the District's employees were represented by the union under this collective bargaining agreement.

13. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. The District has seen significant declines in patient volumes starting in March 2020 when the State of Washington temporarily suspended elective procedures and Washington State University cancelled classes for the remainder of the school year.

State and federal governments are providing emergency funding to help hospitals overcome these negative effects. The District has received CARES Act Provider Relief Funding of approximately \$1.1 million subsequent to year end.

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

The District has also received Medicare accelerated payments of \$9.4 million subsequent to yearend. The Medicare accelerated payments will begin to be repaid with 120 days of receipt.

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

The District also has unrestricted reserves of 65 days as of December 31, 2019.

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

14. Blended Component Unit:

A condensed combining statement of net position for the year ended December 31, 2019, is as follows:

	Pullman Regional Hospital	Pullman Regional Hospital Clinic Network LLC	Adjustments and Eliminations	Total
<i>Assets and deferred outflows of resources</i>				
Current assets	\$ 25,056,404	\$ 571,161	\$ -	\$ 25,627,565
Capital assets, net	26,324,855	293,076	-	26,617,931
Other noncurrent assets	929,264	-	-	929,264
Total assets	52,310,523	864,237	-	53,174,760
<i>Deferred outflows of resources</i>	120,851	-	-	120,851
Total assets and deferred outflows of resources	\$ 52,431,374	\$ 864,237	\$ -	\$ 53,295,611
<i>Liabilities</i>				
Current liabilities	\$ 7,883,241	\$ 372,437	\$ -	\$ 8,255,678
Long-term debt, less current maturities	12,575,846	-	-	12,575,846
Total liabilities	20,459,087	372,437	-	20,831,524
<i>Net position</i>				
Net investment in capital assets	11,339,086	293,076	-	11,632,162
Restricted	807,091	-	-	807,091
Unrestricted	19,826,110	198,724	-	20,024,834
Total net position	31,972,287	491,800	-	32,464,087
Total liabilities and net position	\$ 52,431,374	\$ 864,237	\$ -	\$ 53,295,611

A condensed combining statement of net position for the year ended December 31, 2018, is as follows:

	Pullman Regional Hospital	Pullman Regional Hospital Clinic Network LLC	Adjustments and Eliminations	Total
<i>Assets</i>				
Current assets	\$ 23,420,861	\$ 628,621	\$ -	\$ 24,049,482
Capital assets, net	25,281,334	178,690	-	25,460,024
Other noncurrent assets	1,454,531	-	-	1,454,531
Total assets	50,156,726	807,311	-	50,964,037
<i>Deferred outflows of resources</i>	151,897	-	-	151,897
Total assets and deferred outflows of resources	\$ 50,308,623	\$ 807,311	\$ -	\$ 51,115,934
<i>Liabilities</i>				
Current liabilities	\$ 6,247,680	\$ 434,061	\$ -	\$ 6,681,741
Long-term debt, less current maturities	13,497,053	-	-	13,497,053
Total liabilities	19,744,733	434,061	-	20,178,794
<i>Net position</i>				
Net investment in capital assets	10,022,116	178,690	-	10,200,806
Restricted	854,468	-	-	854,468
Unrestricted	19,687,306	194,560	-	19,881,866
Total net position	30,563,890	373,250	-	30,937,140
Total liabilities and net position	\$ 50,308,623	\$ 807,311	\$ -	\$ 51,115,934

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

14. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2019, is as follows:

	Pullman Regional Hospital	Pullman Regional Hospital Clinic Network LLC	Adjustments and Eliminations	Total
<i>Operating revenues</i>				
Net patient service revenue	\$ 69,611,937	\$ 5,359,311	\$ -	\$ 74,971,248
Grants	469,288	11,144	-	480,432
Other	1,671,335	44,243	-	1,715,578
Total operating revenues	71,752,560	5,414,698	-	77,167,258
<i>Operating expenses</i>				
Salaries and wages	32,785,653	5,251,616	-	38,037,269
Employee benefits	6,800,950	1,031,433	-	7,832,383
Professional fees	4,517,290	1,034,357	-	5,551,647
Supplies	11,965,490	298,785	-	12,264,275
Depreciation and amortization	2,913,363	115,317	-	3,028,680
Other	7,789,989	1,104,640	-	8,894,629
Total operating expenses	66,772,735	8,836,148	-	75,608,883
<i>Operating income (loss)</i>	4,979,825	(3,421,450)	-	1,558,375
<i>Nonoperating revenues (expenses)</i>				
Taxation for bond principal and interest	613,350	-	-	613,350
Taxation for maintenance and operations	625,599	-	-	625,599
Contributions	337,226	-	-	337,226
Distributions to PRHCN	(3,550,000)	-	3,550,000	-
Distributions from Pullman Regional Hospital	-	3,550,000	(3,550,000)	-
Other nonoperating expenses, net	(2,193,731)	(10,000)	-	(2,203,731)
Total nonoperating revenues (expenses), net	(4,167,556)	3,540,000	-	(627,556)
Excess revenues over expenses before capital contributions	812,269	118,550	-	930,819
<i>Capital contributions</i>	596,128	-	-	596,128
Change in net position	1,408,397	118,550	-	1,526,947
Net position, beginning of year	30,563,890	373,250	-	30,937,140
Net position, end of year	\$ 31,972,287	\$ 491,800	\$ -	\$ 32,464,087

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

14. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses and changes in net position for the year ended December 31, 2018, is as follows:

	Pullman Regional Hospital	Pullman Regional Hospital Clinic Network LLC	Adjustments and Eliminations	Total
<i>Operating revenues</i>				
Net patient service revenue	\$ 67,031,852	\$ 5,118,227	\$ -	\$ 72,150,079
Grants	23,589	-	-	23,589
Electronic health records incentive revenue	255,700	-	-	255,700
Other	1,346,139	43,568	-	1,389,707
Total operating revenues	68,657,280	5,161,795	-	73,819,075
<i>Operating expenses</i>				
Salaries and wages	30,779,312	5,470,867	-	36,250,179
Employee benefits	6,140,269	1,047,434	-	7,187,703
Professional fees	5,394,020	806,344	-	6,200,364
Supplies	12,019,550	321,982	-	12,341,532
Depreciation	3,160,746	66,807	-	3,227,553
Other	6,991,637	1,124,030	-	8,115,667
Total operating expenses	64,485,534	8,837,464	-	73,322,998
<i>Operating income (loss)</i>	4,171,746	(3,675,669)	-	496,077
<i>Nonoperating revenues (expenses)</i>				
Taxation for bond principal and interest	606,230	-	-	606,230
Taxation for maintenance and operations	616,543	-	-	616,543
Contributions	353,392	-	-	353,392
Distributions to PRHCN	(3,500,000)	-	3,500,000	-
Distributions from Pullman Regional Hospital	-	3,500,000	(3,500,000)	-
Other nonoperating expenses, net	(1,709,054)	-	-	(1,709,054)
Total nonoperating revenues (expenses), net	(3,632,889)	3,500,000	-	(132,889)
Excess revenues over expenses before capital contributions	538,857	(175,669)	-	363,188
<i>Capital contributions</i>	750,000	29,769	-	779,769
Change in net position	1,288,857	(145,900)	-	1,142,957
Net position, beginning of year	29,275,033	519,150	-	29,794,183
Net position, end of year	\$ 30,563,890	\$ 373,250	\$ -	\$ 30,937,140

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

14. Blended Component Unit (continued):

A condensed combining statement of cash flows for the year ended December 31, 2019, is as follows:

	Pullman Regional Hospital	Pullman Regional Hospital Clinic Network LLC	Adjustments and Eliminations	Total
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
<i>Net cash provided by (used in):</i>				
Operating activities	\$ 6,919,758	\$ (3,308,080)	\$ -	\$ 3,611,678
Noncapital financing activities	962,825	-	-	962,825
Capital and related financing activities	(3,583,439)	(239,703)	-	(3,823,142)
Investing activities	(4,701,536)	3,550,000	-	(1,151,536)
Net increase (decrease) in cash and cash equivalents	(402,392)	2,217	-	(400,175)
Cash and cash equivalents, beginning of year	13,268,641	96,860	-	13,365,501
Cash and cash equivalents, end of year	\$ 12,866,249	\$ 99,077	\$ -	\$ 12,965,326

A condensed combining statement of cash flows for the year ended December 31, 2018, is as follows:

	Pullman Regional Hospital	Pullman Regional Hospital Clinic Network LLC	Adjustments and Eliminations	Total
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
<i>Net cash provided by (used in):</i>				
Operating activities	\$ 6,813,800	\$ (3,525,364)	\$ -	\$ 3,288,436
Noncapital financing activities	969,935	-	-	969,935
Capital and related financing activities	(1,485,987)	(43,044)	-	(1,529,031)
Investing activities	(4,473,347)	3,500,000	-	(973,347)
Net increase (decrease) in cash and cash equivalents	1,824,401	(68,408)	-	1,755,993
Cash and cash equivalents, beginning of year	11,444,240	165,268	-	11,609,508
Cash and cash equivalents, end of year	\$ 13,268,641	\$ 96,860	\$ -	\$ 13,365,501



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
Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Pullman, 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 combined financial statements of Public Hospital District No. 1-A of Whitman County, Washington doing business as Pullman Regional Hospital (the District), as of and for the year ended December 31, 2019, 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 April 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined 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*.

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 23, 2020

Public Hospital District No. 1-A of Whitman County, Washington
doing business as Pullman Regional Hospital
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

The audit for the year ended December 31, 2018, reported no findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2017, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2019.