Office of the Washington State Auditor
Pat McCarthy

February 17, 2022

Board of Commissioners
Grays Harbor Community Hospital
Aberdeen, 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 Grays Harbor Community Hospital for the fiscal years ended December 31, 2020 and 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

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REPORTS OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

GRAYS HARBOR PUBLIC HOSPITAL DISTRICT NO. 2

December 31, 2020 and 2019

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

To the Board of Commissioners
Grays Harbor Public Hospital District No. 2

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Grays Harbor Public Hospital District No. 2 (the District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grays Harbor Public Hospital District No. 2 as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of net pension asset as of December 31 employer contributions as of December 31 and investment returns, on pages 4–11, 36, and 38, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in the 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The summary statement of net position and summary statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the financial statements.

The summary statement of net position and summary statement of revenues, expenses, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summary statement of net position and summary statement of revenues, expenses, and changes in net position are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Everett, Washington
May 10, 2021

This discussion and analysis provides an overview of the financial position and activities of Grays Harbor Community Hospital (the Hospital) and Subsidiaries for the years ended December 31, 2020, 2019, and 2018. The following narrative utilizes approximate amounts unless otherwise specified. It should be read in conjunction with the consolidated financial statements and accompanying notes that follow. The Hospital's financial statements consist of three statements: Consolidated Statement of Net Position, Consolidated Statement of Revenues, Expenses, and Changes in Net Position, and Consolidated Statement of Cash Flows.

Effective January 1, 2015, Grays Harbor Public Hospital District No. 2 (the District) became the controlling entity of Grays Harbor Community Hospital. The Board of Directors of the Hospital consists solely of the seven elected commissioners of the District.

The District is a municipal corporation of the State of Washington formed under the provisions of Chapter 70.44 of the Revised Code of Washington. The District is considered a political subdivision of the state of Washington and is allowed by law to be its own Treasurer.

The District includes the incorporated cities of Aberdeen, Hoquiam, Ocean Shores, Westport, Montesano, and the surrounding communities. In total, the District is the primary healthcare provider for approximately 72,000 residents and covers approximately 1,600 square miles.

The entities represented in the consolidated financial statements are Grays Harbor Community Hospital a 501(c)(3) organization (the Hospital), Grays Harbor Community Hospital Physician Services, LLC (GHCHPS), GHCH Foundation, and the Grays Harbor Public Hospital District No. 2.

Economic Factors Affecting the Current Environment and Future Direction of the District

Impact of Covid-19: The Covid-19 pandemic added significantly to the operational challenges faced by the District in 2020. In addition to the continued downward pressure on payor reimbursements and labor availability that the District has faced for several years, the State of Washington mandated shut-downs of all non-essential operations coupled with a narrow definition of what was considered to be essential, had the effect of reducing hospital and clinic encounters and revenues significantly. Surgical procedures, visits to the Emergency Department and clinic visits in general, all revenue drivers for the organization, fell in 2020 as the population largely isolated itself, to varying degrees, during the year.

In 2020, the District performed over 5,000 Covid-19 tests, approximately 580 of which were positive. Between March 1 and December 31, 45 patients who tested positive for Covid-19 had been admitted to the hospital. The District experienced six patient deaths from Covid-19 in 2020.

State mandates for maintaining minimum levels of certain personal protective equipment (PPE) coupled with the disruption in the global supply chain caused by pandemic related shut-downs and slow-downs, added to both the costs and the difficulty in obtaining critical supplies for much of the year. Testing fees and transportation costs for Covid-19 test specimens also added significantly to the financial burden on the organization.

Despite an overall decrease in patient visits, the organization's staffing levels were maintained in order to conform to provisions of the Payment Protection Program (PPP) loan program and, in some units, to provide staff for specific Covid-19-related (or mandated) activities, including drive-up testing centers, health screenings for people entering the buildings and assisting the County Department of Health with testing and vaccination activities.

Easing the economic burden imposed by Covid-19, the District received a total of $38.0 million in stimulus funding, including $14.3 million in advanced payments from Medicare, $9.8 million from a SBA PPP loan, $13.6 million in Cares Act grants and $286,000 in disaster relief grants from the State of Washington. The District expects to have to repay the advanced payments from Medicare beginning in April 2021, but believes it has met the criteria to have some or all of the PPP loan forgiven.

The District also received support from the State and the community in the form of donations of supplies and equipment intended to aid Covid-19 patients as well as many de minimis acts of moral support for District employees.

Financial Performance: For the fiscal year ended December 31, 2020, the consolidated financial reports report a net operating loss of $15.1 million, and an operating loss margin of 18.0%. $14.1 million in stimulus receipts were recognized as non-operating income in 2020, resulting in a deficit of revenues over expenses for the year of $5,099. This compares to amounts in 2019 of a net operating loss of $4.0 million, a deficit of revenues over expenses of $2.9 million, and an operating loss margin of 4.0%. Results for 2018 were a net operating loss of $12.4 million, a deficit of revenues over expenses of $13.4 million, and loss margin of 13%.

Payor Reimbursement: 77.41% of patient gross patient revenue is provided by Medicare, Medicaid or the patients themselves. Only 22.59% of revenue comes from commercial insurers – payors whose reimbursement rates generally cover the full costs of services. Reimbursement from Medicare and Medicaid has improved over the past two years, due to renegotiated contracts with Medicaid MCO's, in the case of the state, through a budget provision increasing reimbursement for two Washington public hospital districts, including GHPHD#2. The improvements are not guaranteed to continue, though, and the District continues to advocate for permanent reimbursement improvements for Medicaid at the State level. The District diligently tracks reimbursement and engages with our payor partners in an effort to balance payment to the level of care and services provided to the community. 2020 was the District's second full year operating provider-based rural health clinics. As discussed previously, Covid-19 greatly suppressed clinic visits over the prior year. In 2019 the District's encounter rates nearly doubled for Medicare and Medicaid visits over 2018. The majority of District rural health clinic visits are Medicaid and/or Medicare members. A new threat to rural healthcare was included in the March 2021 Covid-19 relief bill. As part of the new law a Medicare reimbursement cap was placed on provider-based rural health clinics, setting limits for reimbursement at 2020 levels and eliminating the ability to receive cost based reimbursement for any new rural health clinics opened after December 31st, 2020. This GHPHD#2 along with other rural health providers will be tracking this significant factor on the future of rural healthcare and will advocate for fixes to the new law.

In Q4 2019, following the departure of CHPW from the county, the District entered into a contract with Molina Healthcare to provide healthcare services to approximately 5,000 Managed Medicaid lives. This contract expanded healthcare access to roughly 4,000 Medicaid members in the County and significantly increased reimbursement for Medicaid services to the District. The contract was effective January 1, 2020. As of December 31, 2020, Molina covered lives in the county is approximately 9,000. In 2020, the District saw Managed Medicaid patient days increase by 2.5% over 2019 while related revenues increased 12.6%, reflecting the impact of both more lives and higher reimbursement from the new Molina contract. 2020 outpatient specialty clinic revenue increased by about 8% over 2019 despite a 2.7% decrease in the number of visits during the same period.

The Molina contract and other favorable rate changes for Medicare and Medicaid (noted above) resulted in a half percentage point increase in gross inpatient revenues for these three payor types over revenues recognized in 2019, despite a 10% decrease in related patient days. The comparative data for 2019 showed a 3% decrease in these revenues over 2018 and a similar 3% decrease in patient days.

Unreimbursed Care: The District has experienced an increasing number of patients utilizing the hospital and emergency department with non-acute medical issues. These demands, coupled with the challenges of finding available nursing home beds and behavioral health beds, and increased patient length of stay, have diverted critical and costly resources away from acute patients, in most cases without a corresponding reimbursement for services. In 2020, the District responded to this trend by opening a walk-in, prompt care clinic to provide patients with a lower cost, shorter wait option for immediate care. The District has also implemented a case management program to identify patients without a primary care provider, utilizing the emergency department for low acuity issues, and to place them with an appropriate primary care provider.

Sole Community Hospital and Rural Health Clinics: In October 2017, the Hospital transitioned itself into a 49 bed Sole Community Hospital to better serve the primary care needs of the community. At 49 beds, the Hospital qualifies to operate provider-based rural health clinics and receive cost-based reimbursement from Medicare and Medicaid for primary care services. In April 2018, The Hospital completed its conversion of its clinics at Aberdeen East Campus, Aberdeen F Street, Hoquiam, and Montesano into hospital-based rural health clinics. This transition now allows the District to further invest in and expand primary care services for our District residents. In a continued effort to reduce operating costs and create efficiencies, the clinics at F Street and East campus were consolidated to the East campus facility.

Operating Costs: Overall hospital volumes in 2020 by approximately 9.7% over 2019, driven by the impact of Covid-19. 2019 dropped by approximately 4.6% over 2018, primarily driven by a 3% drop in ED visits and a 16.6% drop-in clinic visits, the latter of which was caused by a shortage of providers during much of the year. This downward trend is consistent with national utilization statistics as healthcare services continue to move away from acute care and into the outpatient setting, in part due to expanding population health initiatives focused on proactive rather than reactive healthcare services.

Economic Factors Affecting the Current Environment and Future Direction of the District (continued)

Labor continues to be the most significant operating cost for the District. Over the past three years, the District has focused significantly on improving operating cost management to ensure alignment with volumes. Absolute labor costs declined by approximately 2% in 2020 over 2019 and also by roughly 2% in 2019 over 2018. Labor costs as a percentage of total operating expenses has trended upwards since 2018 equaling about 53.8% of total annual operating expenses in 2020, 52.7% in 2019 and 51.3% in 2018. The higher percentages of total is reflective of having filled agency workers with permanent employees in 2018 as well as a decline in overall operating expenses since 2018. Professional fees decreased by roughly $1 million (8%) over 2019, reflecting lower utilization due to Covid-19 and the reduction of certain consulting expenses. Annual operating expenses decreased 3.5% in 2020 over 2019 and decreased 4.6% in 2019 over 2018.

Depreciation, amortization and interest expenses in 2020 decreased by about $500,000 reflective primarily of lowered depreciation expense associated with aging assets and low capital acquisitions in 2020. Depreciation, amortization and interest expenses in 2019 decreased $2.3 million over 2018, reflective of the lower interest rate on debt and the non-recurrence of refinancing expenses incurred in 2018. 2020 supply expenses decreased by 2% over 2019, reflective of the decline in overall patient activity and the increase in supply prices caused by Covid-related supply chain disruptions. 2019 supply expenses declined by approximately 5% from 2018, mirroring the decline in volumes. Other Operating expenses experienced a net decrease of 14% over 2019, again reflecting overall lower activity. Other Operating expenses in 2019 increased 5.6% from 2018, driven entirely by the one-time cost of a contract cancellation.

Cyber-Attack: On June 14, 2019, the Hospital suffered a ransomware attack on its network. The Hospital believes that no protected health information (PHI) was exposed and it did not pay the ransom demand. The attack did cause much of the organization's electronic data to be encrypted, including the electronic health records of the medical group, though not that of the Hospital. By the end of 2019, systems had been rebuilt (with improved security) and much of the data has been recreated from paper files and electronic backups. The District carries cyber insurance and has recovered all of the expenses incurred recovering from this attack.

Public Hospital District No. 2

Effective January 1, 2015, the District became the sole member of the Hospital, resulting in the Hospital becoming a public entity and being required to convert to reporting under standards for governmental accounting and financial reporting.

In 2020, Grays Harbor Public Hospital District No. 2 collected $4.4 million in property taxes, compared with $3.4 million in 2019 and $2.9 million in 2018.

GHCHPS

Grays Harbor Community Hospital Physician Services, LLC (GHCHPS) was formed in 2007 and is a subsidiary of Grays Harbor Community Hospital. GHCHPS is a multi-specialty physician group serving the Grays Harbor Community with clinics in Aberdeen, Hoquiam, and Montesano. Its services include internal medicine, family medicine, pediatrics, obstetrics and gynecology, urology, general surgery, gastroenterology, and orthopedic surgery. GHCHPS also manages the rural health clinics operated by the Hospital.

In 2020, GHCHPS's specialty clinics logged approximately 14,800 patient visits, compared to about 15,200 visits in 2019, a 3% year-over-year decline. Rural health clinic visits numbered about 29,000 in 2020 compared to about 31,800 in 2019, an 8% decline. In 2018, combined clinic visits numbered approximately 53,000 patient visits. GHCHPS continues to actively recruit primary care practitioners for internal medicine, OB/GYN, and pediatrics, as well as orthopedic surgeons to expand access to care for the District and surrounding community.

Committed to patient satisfaction and expanding access to quality healthcare, GHCHPS is continuously growing its outpatient medical services to better serve the community. The medical group's physicians and medical staff strive to provide the highest standard of health care in a comfortable, safe, convenient, and patient friendly environment.

GHCH Foundation

The Grays Harbor Community Hospital Foundation (the Foundation) was formed to support Grays Harbor Community Hospital programs, services, and capital needs through advocacy and fundraising.

The current focus of the Foundation involves assisting the Hospital with upgrading surgical equipment, IT infrastructure, and other specific purchase needs as requested by the Hospital.

Volume and Statistics

	2020	2019	2018
Inpatient admissions	2,813	3,043	3,007
Inpatient days	12,550	14,186	14,129
Outpatient observation patients	1,333	1,583	1,626
Emergency room visits	19,487	24,855	25,627
Surgery cases - hospital	3,188	3,287	3,546
Newborn deliveries	342	339	400
Hospital outpatient visits	113,862	124,257	124,225
Clinic visits	43,912	47,004	56,385
Full-time equivalent employees	510	520	560

Statement of Net Position

The following is a presentation of certain financial information derived from the District's statement of net position:

	2020	2019	2018
Assets			
Cash and investments	$ 28,864,367	$ 4,245,146	$ 2,917,431
Net accounts receivable	21,479,048	35,146,821	25,911,499
Assets limited as to use	10,951,878	8,540,657	12,017,369
Net capital assets	31,336,388	32,556,510	34,486,856
Other assets	6,133,102	2,938,600	4,629,427
Deferred outflows of resources	2,253,698	3,898,100	2,236,806
Total assets and deferred outflows of resources	$ 101,018,481	$ 87,325,834	$ 82,199,388
Liabilities and net position			
Current liabilities	$ 35,683,868	$ 31,089,662	$ 24,116,561
Long-term obligations, net of current portion	35,831,847	36,522,449	36,543,051
Advance Medicare payments	9,178,230	-	-
Other liabilities	-	1,582,424	-
Total liabilities	80,693,945	69,194,535	60,659,612
Deferred inflows of resources	3,682,396	1,484,060	2,029,400
Net position			
Net investment in capital assets	31,336,388	32,556,510	34,486,856
Restricted expendable	2,396,450	2,396,450	2,396,450
Restricted nonexpendable for permanent endowment	5,324,782	5,324,782	5,324,782
Unrestricted	(22,415,480)	(23,630,503)	(22,697,712)
Total net position	16,642,140	16,647,239	19,510,376
Total liabilities, deferred inflows of resources, and net position	$ 101,018,481	$ 87,325,834	$ 82,199,388

Total assets increased $13.7 million from 2019 to 2020. The increase is driven by a $24.6 million increase in cash, the result of Federal and State stimulus funding combined with a $13.7 million decrease in net accounts receivable balances, largely the result of the Covid-19 driven $16.0 million decrease in net patient service revenue. Net capital assets decreased $1.2 million from 2019 to 2020 as there were few investments in capital assets during 2020 while depreciation continued on track with prior years.

Total assets increased $3.8 million between 2018 and 2019, pushed by an increase in patient accounts receivable balances, the collections on which were slowed in 2019 due to the cyber-attack. The increase in cash between 2018 and 2019 was caused by the timing of settlement of trade and payroll related payables.

Liabilities increased $11.5 million in 2020 over 2019. The increase reflects the $24 million amounts due on PPP and Medicare loans offset by the decrease in trade payables afforded by the stimulus funds. Total liabilities increased by $8.5 million between 2018 and 2019, the result of a slowdown in the District's ability to make timely payments on trade payables while collections on accounts receivable were hampered, as discussed above.

Statement of Revenues, Expenses, and Changes in Net Position

The following is a summary for the years ended December 31:

	2020	2019	2018
Gross patient service charges	$ 353,573,041	$ 367,356,647	$ 368,801,460
Discounts, bad debts, and charity	(275,815,747)	(273,568,129)	(278,098,105)
Net patient service revenue	77,757,294	93,788,518	90,703,355
Property tax revenue	4,416,994	3,397,139	2,941,366
Cafeteria and other	1,976,796	1,699,634	1,758,855
Total operating revenue	84,151,084	98,885,291	95,403,576
Operating expenses			
Employee compensation and benefits	54,080,888	54,222,032	55,299,709
Purchased services	25,055,928	26,507,009	27,822,975
Supplies	10,215,788	10,432,753	10,986,309
Depreciation, amortization, and interest	4,696,948	5,222,427	7,543,782
Other operating expenses	5,208,811	6,502,820	6,157,373
Total operating expenses	99,258,363	102,887,041	107,810,148
Operating loss	(15,107,279)	(4,001,750)	(12,406,572)
Permanent endowment contributions (release from restrictions)	-	-	(1,000,000)
Net nonoperating income	15,102,180	1,138,613	19,613
Change in net position	(5,099)	(2,863,137)	(13,386,959)
Net position, beginning of year	16,647,239	19,510,376	32,897,335
Net position, end of year	$ 16,642,140	$ 16,647,239	$ 19,510,376

Sources of Revenue

The Hospital's net patient service revenue for 2020 decreased $16.0 million, or 17.1%, from 2019, due to the impact of the Covid-19 pandemic. The Hospital's net patient service revenue for 2019 increased $3.1 million, or 3.4%, from 2018, primarily as a result of higher reimbursement rates from Medicare and Medicaid.

Patient service revenues are reported net of contractual adjustments related to Medicare, Medicaid, and other third-party payors.

The following table shows the percentage of gross revenue by payor class based upon charges for the years ended December 31:

	2020	2019	2018
Medicare	47.75%	49.62%	49.25%
Medicaid	27.77%	26.36%	27.08%
Commercial	22.59%	22.10%	21.95%
Self-pay	1.89%	1.92%	1.72%
	100.00%	100.00%	100.00%

Statement of Cash Flows

The following is a summary for the years ended December 31:

	2020	2019	2018
Cash flows from operating activities	$ 5,650,690	$ 25,073	$ (1,703,214)
Net cash from noncapital financing activities	-	-	-
Net cash from capital and related financing activities	6,277,572	(3,312,683)	(1,819,869)
Net cash from investing activities	15,407,135	476,314	7,232,372
	$ 27,335,397	$ (2,811,296)	$ 3,709,289

Contacting the District

This financial report is designed to provide patients, taxpayers, and creditors with a general overview of the District's finances. If you have questions or need additional financial information, contact:

Grays Harbor Community Hospital and Subsidiaries
Attn: CEO
915 Anderson Drive
Aberdeen, WA 98520

Grays Harbor Public Hospital District No. 2
Consolidated Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and cash equivalents	$ 28,811,710	$ 4,193,158
Short-term investments	52,657	51,988
Patient accounts receivable, net of estimated uncollectibles of $4,557,000 and $11,837,000	21,479,048	35,146,821
Supplies inventory	2,049,668	1,933,154
Prepaid expenses and other assets	2,177,844	1,005,446
Total current assets	54,570,927	42,330,567
ASSETS LIMITED AS TO USE		
Board-designated assets	3,230,646	819,425
By donors for endowment	5,324,782	5,324,782
Assets held under bond indenture agreements	2,396,450	2,396,450
	10,951,878	8,540,657
CAPITAL ASSETS, net	31,336,388	32,556,510
NET PENSION ASSET	1,905,590	-
Total assets	98,764,783	83,427,734
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	2,253,698	3,898,100
Total assets and deferred outflows of resources	$ 101,018,481	$ 87,325,834

See accompanying notes.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	December 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Accounts payable	$ 14,002,652	$ 23,223,098
Accrued payroll and related liabilities	5,217,657	6,828,825
Accrued interest	11,024	11,024
Estimated third-party payor settlements	820,913	1,026,715
Paycheck protection program loan	9,775,000	-
Current portion of advance Medicare payments	5,186,622	-
Current portion of long-term debt	670,000	-
Total current liabilities	35,683,868	31,089,662
ADVANCE MEDICARE PAYMENTS	9,178,230	-
LONG-TERM DEBT, net of current portion	35,831,847	36,522,449
NET PENSION LIABILITY	-	1,582,424
Total liabilities	80,693,945	69,194,535
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	3,682,396	1,484,060
NET POSITION		
Invested in capital assets, net of related debt	31,336,388	32,556,510
Restricted expendable for debt service	2,396,450	2,396,450
Restricted nonexpendable for permanent endowment	5,324,782	5,324,782
Unrestricted	(22,415,480)	(23,630,503)
Total net position	16,642,140	16,647,239
Total liabilities, deferred inflows of resources, and net position	$ 101,018,481	$ 87,325,834

Grays Harbor Public Hospital District No. 2
Consolidated Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2020	2019
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $9,117,000 and $8,636,000)	$ 77,757,294	$ 93,788,518
Property tax revenue	4,416,994	3,397,139
Other operating revenue	1,976,796	1,699,634
Total operating revenues	84,151,084	98,885,291
OPERATING EXPENSES		
Salaries and benefits	54,080,888	54,222,032
Purchased services	14,021,652	14,109,134
Professional fees	11,034,276	12,397,875
Supplies	10,215,788	10,432,753
Occupancy	3,118,198	3,194,095
Depreciation and amortization	2,880,802	3,268,262
Other expenses	2,090,613	3,308,725
Interest	1,816,146	1,954,165
Total operating expenses	99,258,363	102,887,041
Operating loss	(15,107,279)	(4,001,750)
NONOPERATING REVENUES		
Investment income	961,482	1,138,613
Provider relief funding	14,140,698	-
Total nonoperating revenues	15,102,180	1,138,613
CHANGE IN NET POSITION	(5,099)	(2,863,137)
NET POSITION, beginning of year	16,647,239	19,510,376
NET POSITION, end of year	$ 16,642,140	$ 16,647,239

See accompanying notes.

Increase in Cash and Cash Equivalents

	Years Ended December 31,	
	2020	2019
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	$ 91,219,265	$ 84,633,196
Cash paid to suppliers	(50,989,885)	(36,898,503)
Cash paid to employees	(55,337,332)	(52,806,393)
Cash receipt from property tax revenue	4,416,994	3,397,139
Cash from Medicare advance payments	14,364,852	-
Other cash receipts	1,976,796	1,699,634
Net cash (used in) from operating activities	5,650,690	25,073
CASH FLOWS (USED IN) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,660,680)	(1,337,916)
Interest paid on long-term debt and capital lease obligations	(1,816,146)	(1,954,165)
Repayment of long-term debt	(20,602)	(20,602)
Proceeds of Paycheck Protection Program loan	9,775,000	-
Net cash from (used in) capital and related financing activities	6,277,572	(3,312,683)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short-term investments	(669)	(181)
Net change in board-designated investments	305,624	(2,748,009)
Change in assets held under bond indenture agreements	-	2,085,891
Investment income	15,102,180	1,138,613
Net cash from investing activities	15,407,135	476,314
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,335,397	(2,811,296)
CASH AND CASH EQUIVALENTS, beginning of year	7,696,126	10,507,422
CASH AND CASH EQUIVALENTS, end of year	$ 35,031,523	$ 7,696,126
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 28,811,710	$ 4,193,158
Cash and cash equivalents in assets limited as to use	6,219,813	3,502,968
	$ 35,031,523	$ 7,696,126

Increase in Cash and Cash Equivalents

	Years Ended December 31, 2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) FROM OPERATING ACTIVITIES		
Operating loss	$ (15,107,279)	$ (4,001,750)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	2,880,802	3,268,262
Provision for bad debts	(9,116,757)	8,636,000
Change in net pension plan obligations	354,724	863,619
Interest expense considered a capital financing activity	1,816,146	1,954,165
Changes in operating assets and liabilities		
Patient accounts receivable	22,784,530	(17,871,322)
Supplies inventory	(116,514)	(14,771)
Prepaid expenses and other assets	(1,172,398)	217,769
Accounts payable	(9,220,446)	6,341,081
Accrued payroll and related liabilities	(1,611,168)	552,020
Estimated third-party payor settlements	(205,802)	80,000
Advance Medicare payments	14,364,852	-
Net cash (used in) from operating activities	$ 5,650,690	$ 25,073

See accompanying notes.

Note 1 – Organization and Operations

Grays Harbor Public Hospital District No. 2 (the District) is the sole member of Grays Harbor Community Hospital (the Hospital) and its subsidiaries. The Board of Directors of the Hospital is comprised solely of the seven elected commissioners of the District. As a result, the District is a public entity and reports under standards for governmental accounting and financial reporting established by the Governmental Accounting Standards Board (GASB).

Grays Harbor Community Hospital is a licensed 140-bed acute-care facility. The Hospital provides health care services throughout the Grays Harbor County, Washington, area. It is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

Grays Harbor Community Hospital Foundation (the Foundation) raises funds for the improvement of health care services in the Grays Harbor County, Washington, area. The consolidated financial statements reflect the Foundation as a wholly owned subsidiary of the Hospital.

Grays Harbor Community Hospital Physician Services, LLC (GHCHPS) provides clinic services in Aberdeen, Montesano, and Hoquiam, Washington. The consolidated financial statements reflect GHCHPS as a wholly owned for-profit subsidiary of the Hospital.

The entities above are collectively referred to as the District or the Organization. All significant intercompany balances and transactions have been eliminated.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Principles of consolidation – The consolidated financial statements include the accounts of the District, Grays Harbor Community Hospital, the Foundation, and GHCHPS. All intercompany amounts have been eliminated in consolidation.

Use of estimates – The preparation of the consolidated financial statements in accordance 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, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Organization defines cash and cash equivalents to include demand deposits, savings accounts, and short-term investments with original maturity periods of three months or less. Cash classified as assets limited as to use is considered cash and cash equivalents in the statements of cash flows. Cash in bank deposits may, at times, exceed federally insured limits.

Note 2 – Summary of Significant Accounting Policies (continued)

Short-term investments – Short-term investments include certificates of deposit that mature in less than 12 months from the statement of net position date. The amounts are reported at cost plus accrued interest, which approximates market value.

Patient accounts receivable – Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful 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 doubtful 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 doubtful 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' balances (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Supplies inventory – Inventories of medicine and dietary and medical supplies are valued at the lower of cost, computed on the first-in, first-out basis, or net realizable value.

Assets limited as to use – Assets limited as to use include assets set aside by the board of directors for future capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes, and assets held by a bond trustee under indenture agreements. Investments are valued at market value as of the statement of net position date. Assets limited as to use also include endowments.

Endowments – Endowments are provided to the Organization on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Organization's Board of Commissioners to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note 3.

Investments – Investments in equity securities with readily determinable fair values are measured at fair value on the statement of net position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in net position unless the income or loss is restricted by donor or law.

Note 2 – Summary of Significant Accounting Policies (continued)

Capital assets – Land, buildings, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method. Equipment under capital lease is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

The Organization reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donated assets are recorded at their fair market value at the time of contribution. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Federal income taxes – The District, as a political subdivision of the state of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code.

Estimated malpractice settlement costs – The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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 illness; natural disasters; medical malpractice; 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.

Pension – For purposes of measuring the net pension asset, information about the fiduciary net position and additions to/deductions from that plans' fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position – Net position of the District is classified into four components. *Net invested 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 expendable for debt service* are noncapital net positions that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Restricted nonexpendable for permanent endowment* equals the principal portion of permanent endowments as of December 31, 2020 and 2019. *Unrestricted net position* is the remaining net position that does not meet the definition of *invested in capital assets, net of related debt* or *restricted*.

Note 2 – Summary of Significant Accounting Policies (continued)

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, such as patient service revenue, result from exchange transactions associated with providing health care services—the District's primary business. Nonoperating revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as other operating revenues. Operating expenses are all expenses incurred to provide health care services.

Net patient service revenue – Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services and includes retroactive adjustments under reimbursement arrangements with third-party payors. Estimated settlements are established in the period the related services are rendered and retroactively adjusted in future periods as final settlements are determined.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because Grays Harbor Community Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The costs the Hospital incurred to provide charity care were approximately $1,380,000 and $1,641,000 for the years ended December 31, 2020 and 2019, respectively. The Hospital has estimated these costs by multiplying its ratio of costs to gross charges to the gross uncompensated charges associated with providing charity care.

Note 3 – Restricted Net Position and Endowment

Restricted expendable net position is intended for redemption of bond indebtedness, as detailed in Note 5. Restricted non-expendable net position represents the Warren Endowment Fund, which is a permanent endowment.

Unless the contributor provides specific instructions, Washington State law permits the Organization's Board of Commissioners to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Commissioners is required to consider the Organization's "long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

Note 4 – Net Patient Service Revenue

The Organization has arrangements with third-party payors that reimburse the Organization for services to patients at amounts different from its standard charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute-care services rendered to Medicare program beneficiaries are paid at predetermined, specific rates for each hospital discharge. Discharges are classified according to a list of diagnosis-related groups (DRGs). Each DRG has a payment weight assigned to it based on the average resources used to treat Medicare patients in that DRG. The Hospital's classification of DRGs and the appropriateness of their admission are subject to an independent review by a peer review organization. Outpatient services to Medicare beneficiaries are paid prospectively based on ambulatory payment classifications (APCs). The Hospital's cost reports have been reviewed and/or audited by the Medicare fiscal intermediary through 2016. Unsecured net patient accounts receivable balances under the Medicare program totaled approximately $4,102,000 and $5,862,000 in 2020 and 2019, respectively. Net patient service revenue under the Medicare program totaled approximately $29,380,000 and $36,738,000 in 2020 and 2019, respectively.

Medicaid – Inpatient acute-care services rendered to Medicaid program beneficiaries are paid on a prospective payment system similar to Medicare. Outpatient services to Medicaid beneficiaries are paid prospectively based on APCs. Unsecured net patient accounts receivable balances under the Medicaid program totaled approximately $4,201,000 and $6,377,000 in 2020 and 2019, respectively. Net patient service revenue under the Medicaid program totaled approximately $22,967,000 and $21,330,000 in 2020 and 2019, respectively.

The Hospital's estimates of final settlements to or from Medicare and Medicaid through 2020 have been recorded in the accompanying consolidated statement of net position. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the net amounts accrued and subsequent settlements are recorded in operations at the time of settlement.

Other third-party payors – The District has also entered into various payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations, which provide for payment or reimbursement at amounts different from published rates. Contractual adjustments represent the difference between published rates for services and amounts paid or reimbursed by these third-party payors.

Note 4 – Net Patient Service Revenue (continued)

The following are the components of net patient service revenue for the years ended December 31:

	2020	2019
Gross patient service revenue	$ 353,573,041	$ 367,356,647
Less adjustments to gross patient service revenue		
Contractual adjustments	(265,319,008)	(263,291,598)
Provision for bad debts	(9,116,757)	(8,635,948)
Charity care	(1,379,982)	(1,640,583)
Total adjustments to gross patient service charges	(275,815,747)	(273,568,129)
Net patient service revenue	$ 77,757,294	$ 93,788,518

Note 5 – Deposits, Investments, and Assets Limited as to Use

The Board of Commissioners has internally designated assets to provide for capital improvements and other requirements in a project fund. In addition, certain assets are held and restricted under bond indenture agreements. The carrying amounts of these, as well as other deposits and investments, are included in the District's statements of net position as follows:

	2020	2019
Designated by Board of Directors for capital improvements		
Cash and short-term investments	$ 3,230,646	$ 819,425
Held under bond indenture agreements		
Cash and cash equivalents	$ 2,396,450	$ 2,396,450
Designated by donors for endowment		
Equity securities	$ 4,732,065	$ 5,037,689
Cash and cash equivalents	592,717	287,093
	$ 5,324,782	$ 5,324,782

Deposits – All of the District's deposits are either insured or collateralized. The District's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection is provided by the Washington Public Deposit Protection Commission (WPDPC).

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits the types of securities to those authorized by statute; therefore, credit risk is very limited. Obligations of the U.S. government and agencies are not considered to have credit risk.

Note 5 – Deposits, Investments, and Assets Limited as to Use (continued)

The composition of investments, reported at fair value by investment type at December 31, 2020, excluding unrestricted cash, short-term investments, and other assets limited as to use balances of $35,084,180, is as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Totals
Equity securities	$ 4,732,065	100%

The composition of investments, reported at fair value by investment type at December 31, 2019, excluding unrestricted cash, short-term investments, and other assets limited as to use balances of $7,748,114, is as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Totals
Equity securities	$ 5,037,689	100%

Custodial credit risk – Custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All U.S. government securities are held by the District's safekeeping custodian acting as an independent third party and carry no custodial credit risk.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District mitigates credit risk by limiting the percentage of the portfolio invested with any one issuer.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The District manages interest rate risk by having policy limitations on the maximum maturity of any one security to less than 36 months from settlement date to maturity date unless matched to a specific cash flow requirement.

Note 6 – Assets Held Under Bond Indenture Agreements

The Revenue Bonds, Series 2018, require the District to establish and maintain funds for bond debt service (Note 9). Investments are stated at market value, which approximates cost. The assets are held by the bond trustee and are invested in treasury obligations and money market funds. The balance was $2,396,450 at December 31, 2020 and 2019.

Note 7 – Capital Assets

Capital asset additions, retirements, transfers, and balances for the years ended December 31, 2020 and 2019, were as follows:

	Beginning Balance January 1, 2020	Additions	Retirements	Account Transfers	Ending Balance December 31, 2020
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 1,702,265	$ -	$ -	$ -	$ 1,702,265
Construction-in-progress	-	-	-	-	-
	1,702,265	-	-	-	1,702,265
DEPRECIABLE CAPITAL ASSETS					
Land improvements	749,181	-	-	-	749,181
Buildings and improvements	69,788,946	92,009	-	-	69,880,955
Fixed equipment	4,153,580	-	-	-	4,153,580
Movable equipment	35,889,307	1,568,671	-	-	37,457,978
	110,581,014	1,660,680	-	-	112,241,694
LESS ACCUMULATED DEPRECIATION					
Land improvements	(599,277)	(17,067)	-	-	(616,344)
Buildings and improvements	(42,669,176)	(1,756,732)	-	-	(44,425,908)
Fixed equipment	(3,575,372)	(97,687)	-	-	(3,673,059)
Movable equipment	(32,882,944)	(1,009,316)	-	-	(33,892,260)
	30,854,245	(1,220,122)	-	-	29,634,123
	$ 32,556,510	$ (1,220,122)	$ -	$ -	$ 31,336,388

	Beginning Balance January 1, 2019	Additions	Retirements	Account Transfers	Ending Balance December 31, 2019
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 1,702,265	$ -	$ -	$ -	$ 1,702,265
Construction-in-progress	706,138	601,788	-	(1,307,926)	-
	2,408,403	601,788	-	(1,307,926)	1,702,265
DEPRECIABLE CAPITAL ASSETS					
Land improvements	612,325	-	-	136,856	749,181
Buildings and improvements	69,169,670	-	-	619,276	69,788,946
Fixed equipment	4,112,772	56,006	-	(15,198)	4,153,580
Movable equipment	34,676,564	680,122	(34,371)	566,992	35,889,307
	108,571,331	736,128	(34,371)	1,307,926	110,581,014
LESS ACCUMULATED DEPRECIATION					
Land improvements	(540,392)	(58,885)	-	-	(599,277)
Buildings and improvements	(40,750,316)	(1,918,860)	-	-	(42,669,176)
Fixed equipment	(3,469,293)	(106,079)	-	-	(3,575,372)
Movable equipment	(31,732,877)	(1,184,438)	34,371	-	(32,882,944)
	32,078,453	(2,532,134)	-	1,307,926	30,854,245
	$ 34,486,856	$ (1,930,346)	$ -	$ -	$ 32,556,510

Depreciation expense was $2,880,473 and $3,268,262 in 2020 and 2019, respectively.

Note 8 – Long-Term Debt

Revenue Bonds, Series 2018 – On December 28, 2018, the District issued the Limited Tax General Obligation Bonds, Series 2018 (the 2018 Bonds), and loaned the proceeds totaling $35,925,000 to Grays Harbor Community Hospital to refund the Hospital's bonds. These bonds have variable rate securities due through December 31, 2048, in principal payments ranging from $670,000 to $2,280,000 annually beginning in 2021, with interest ranging from 3.5% to 5.0%. The bonds are payable solely from payments made by the District from voter approved tax levies. The bonds will be used for the purpose of paying off existing debt prior to the issuance of these bonds. The District is required to comply with certain restrictive covenants included in the bond agreements. Among other matters, these covenants require limits on the amount of debt outstanding. During 2020 and 2019, bond premium amortization was $20,602, which reduced interest expense.

During the years ended December 31, 2020 and 2019, the following changes occurred in the District's long-term liabilities:

	2019 Balance	Additions	Reductions	2020 Balance	Due Within One Year
Revenue Bonds, Series 2018	$ 36,522,449	$ -	$ 20,602	$ 36,501,847	$ 670,000
Total noncurrent liabilities	$ 36,522,449	$ -	$ 20,602	$ 36,501,847	$ 670,000

	2018 Balance	Additions	Reductions	2019 Balance	Due Within One Year
Revenue Bonds, Series 2018	$ 36,543,051	$ -	$ 20,602	$ 36,522,449	$ -
Total noncurrent liabilities	$ 36,543,051	$ -	$ 20,602	$ 36,522,449	$ -

Scheduled maturities of principal and interest on the Revenue Bonds, Series 2018 are as follows:

	Principal	Interest
2021	$ 670,000	$ 1,724,900
2022	695,000	1,701,450
2023	715,000	1,677,125
2024	740,000	1,652,100
2025	770,000	1,622,500
2026 - 2030	4,350,000	7,615,700
2031 - 2035	5,495,000	6,473,500
2036 - 2040	7,020,000	4,954,750
2041 - 2045	8,950,000	3,016,250
2046 - 2049	6,520,000	662,500
	35,925,000	$ 31,100,775
Net unamortized premium	576,847	
	$ 36,501,847	

Note 9 – Grays Harbor Community Hospital Retirement Plan

STATEMENT OF FIDUCIARY NET POSITION

	December 31, 2019	December 31, 2018
ASSETS		
Investments, at fair value		
Registered investment companies	$ 27,839,005	$ 24,038,245
Money market funds	157,559	42,583
Investment contract with insurance company	220,839	230,364
Total investments, at fair value	28,217,403	24,311,192
NET POSITION RESTRICTED FOR PENSIONS	$ 28,217,403	$ 24,311,192
ADDITIONS		
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	$ 4,107,822	$ (1,935,434)
Employer contributions	-	87,991
Interest and dividends	1,102,977	976,800
Other income	-	8,420
Less investment expense	(17,309)	(16,964)
Net investment income (loss)	5,193,490	(879,187)
Transfer of assets into Plan	410,961	149,417
Total additions	5,604,451	(729,770)
DEDUCTIONS		
Benefit payments	1,698,240	1,558,847
NET INCREASE (DECREASE) IN NET POSITION	3,906,211	(2,288,617)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	24,311,192	26,599,809
End of year	$ 28,217,403	$ 24,311,192

Note 9 – Grays Harbor Community Hospital Retirement Plan (continued)

Summary of Significant Accounting Policies

Investments – Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price on the last business day of the plan year. Fair value is 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. Purchases and sales of investments are recorded on a trade-date basis.

Description of Plan

The following description of the Grays Harbor Community Hospital Retirement Plan (the Plan) provides only general information. Plan members should refer to the Plan agreement, as amended, for a more complete description of the Plan's provisions.

The District established the Plan effective October 1, 1970. On January 1, 2001, the Plan was formally amended to incorporate the Grays Harbor Community Hospital 403(b) tax-sheltered annuity plan. On January 1, 2008, the Plan was further amended to set apart the 403(b) tax-sheltered annuity plan as a separate and distinct plan, with no impact upon the benefit earned under the defined benefit plan. Therefore, for the years 2001 through 2007, the defined benefit plan operated and acted as a floor plan for the retirement benefit package for employees who were employed during any portion of those years.

General – The Hospital maintains a noncontributory single employer defined benefit retirement plan covering substantially all employees. The benefits for this plan are based primarily on years of service and employees' pay near retirement. Plan provisions, including contributions and benefit provisions, are established and can be changed by the District's Board of Directors. The Board of Directors is a seven-member Board elected by voters within the District.

The Plan is subject to reporting under standards for governmental accounting and financial reporting established by the GASB.

The Plan has annual actuarial valuations performed with the most recent valuation completed as of January 1, 2019. Membership of the Plan consisted of the following as of January 1, 2019:

Active members	283
Terminated vested members not yet receiving benefits	394
Retirees and beneficiaries currently receiving benefits	315
	992

The Plan is frozen. All participants are fully vested in their accrued benefits and no further participants are allowed entry.

Note 9 – Grays Harbor Community Hospital Retirement Plan (continued)

Investment policy – The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the District's Board of Commissioners. It is the policy of the District's Board of Commissioners to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy presents ranges for investment types as follows:

Investment Class	Target Allocation
Equity/alternatives	60%–80%
Fixed income	20%–40%

Contributions – As of December 31, 2019, the District was the sole employer and contributor to the Plan. The Plan directs the District to make contributions at an actuarially determined amount. The District reserves the right to suspend or reduce contributions to the Plan at any time, upon appropriate action by the Board. For the year ended December 31, 2019, the Hospital's average contribution rate was 0% of annual payroll.

Payment of benefits – pension benefits and vesting – As noted above, the Plan is Frozen. Participants are 100% vested in the Plan upon completion of five years of service and have a nonforfeitable right to their accrued benefit upon reaching the normal retirement age of 65. Employees may elect to receive the value of their accumulated Plan benefits in one of four ways: (1) whole life annuity, (2) joint and survivor annuity, (3) period certain and life annuity, or (4) lump-sum payment if the amount is less than or equal to $5,000.

Participants whose employment ended prior to January 1, 2001, accrued benefits solely under the defined benefit plan and will receive benefits based upon the formula of the plan.

Participants who were employed during the years 2001 through 2007, either entirely or in part, currently accrue benefits under the defined benefit plan while also having an offset benefit, which was earned under the 403(b) defined benefit offset. Additionally, employees who continued to be employed after January 1, 2008, accrue a benefit under the stand-alone, non-offsetting 403(b) plan.

Participants who were employed after January 1, 2008, accrue benefits under the defined benefit plan with no offset while also vesting in an employer match into the stand-alone, non-offsetting 403(b) plan.

Benefits vested under the offset 403(b) plan may be paid (1) as a lump sum in cash or a rollover, (2) as a partial cash sum and a partial rollover, (3) through an annuity purchased on the participants' behalf, or, as of January 1, 2012, (4) the participant may roll over the monies back into the defined benefit plan and receive higher monthly annuity payment options.

Benefits vested under the stand-alone, non-offsetting 403(b) plan may be paid (1) as a lump sum or a cash rollover, (2) as a partial cash sum and a partial rollover, or (3) through an annuity purchased on the participants' behalf.

Note 9 – Grays Harbor Community Hospital Retirement Plan (continued)

Payment of death benefits – In the event of a participant's death prior to retirement, vested benefits will be paid to the beneficiary as either a lump sum calculated at the time of death or as monthly payments payable beginning upon what would have been the normal retirement date of the participant.

Rate of return – For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 22.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension asset/liability – The components of the net pension asset (liability) of the Hospital were as follows:

	December 31,	
	2019	2018
Total pension liability	$ (26,311,813)	$ (25,893,616)
Plan fiduciary net position	28,217,403	24,311,192
Net pension asset (liability)	$ 1,905,590	$ (1,582,424)
Plan fiduciary net position as a percentage of the total pension asset (liability)	107.24%	93.89%

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.25%
- Salary increases: N/A – Plan is frozen
- Investment rate of return: 7.50%

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The total pension liability was calculated as of the valuation date, which was the same as the measurement date of December 31, 2019.

Plan liabilities are stated as of December 31, 2019, and reflect the Plan's normal cost (using the entry-age cost method) and assumed interest.

Pre-retirement mortality rates were based on the non-annuitant male and female static tables prescribed by regulations for private sector plans for the 2019 Plan year. Post-retirement mortality rates were based on annuitant male and female static tables prescribed by regulations for private sector plans for the 2018 plan year.

Note 9 – Grays Harbor Community Hospital Retirement Plan (continued)

Discount rate – The discount rate used to measure the total pension liability for the plans was 7.5%.

Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

Long-term expected rate of return – The long-term expected rate of return on the pension plan investments of 7.5% was assumed. The long-term expected rate of return on the pension plan investments of 7.5% was determined using a building-block-method. The actuary used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of actuaries' capital market assumptions. The actuary uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated rates of return by asset class – The inflation component used to create the table is 2.25% and represents the actuary's most recent long-term estimate of broad economic inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019, are summarized in the table below:

Asset Category	Allocation	2019 Rate of Return
Registered investment companies	99.4%	22.1%
Money market funds	0.6%	22.1%
	100%	

Sensitivity of net pension liability (asset) – The table below presents the Hospital's net pension liability (asset) calculated using the discount rate of 7.5%, as well as what the Hospital's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net pension liability (asset)	$ 616,766	$ (1,905,590)	$ (4,048,269)

Note 9 – Grays Harbor Community Hospital Retirement Plan (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the years ended December 31, 2019 and 2018, the Hospital recognized pension expense of $354,724 and $951,610, respectively. At December 31, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assets gain (loss)	$ 1,793,815	$ (3,682,396)
Demographic gain	284,975	-
Assumption changes	174,908	-
	$ 2,253,698	$ (3,682,396)

At December 31, 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assets gain (loss)	$ 2,785,710	$ (1,484,060)
Demographic gain	524,351	-
Assumption changes	588,039	-
	$ 3,898,100	$ (1,484,060)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ (162,407)
2021	(478,058)
2022	(102,314)
2023	(685,919)
	$ (1,428,698)

Other employee benefit plans – The Hospital has a tax deferred annuity plan covering substantially all qualified employees that was created in accordance with Internal Revenue Code Section 403(b). The plan allows participants to make salary deferrals up to amounts specified by the Internal Revenue Code. The employer contribution totaled $245,388 and $238,802 in 2020 and 2019, respectively, and is included in salaries and benefits in the accompanying consolidated financial statements.

The Hospital also has a cafeteria benefit plan created in accordance with Section 125 of the Internal Revenue Code.

Note 10 – Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the county. Taxes are levied annually, on January 1 on property values listed as of the prior May 31. Assessed values are established by the county assessor at 100% of fair market value. A reevaluation 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 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. Additional amounts of tax need to be authorized by a vote of the people.

For 2020 and 2019, the District's regular levy was $0.50 per $1,000 of assessed valuation. The District received $4,416,994 and $3,397,139 from Grays Harbor County for the regular levy for the years ended December 31, 2020 and 2019, respectively.

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

Note 11 – Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31 was as follows:

	2020	2019
Commercial	33%	33%
Medicare	29%	27%
Medicaid	23%	21%
Patient and self-pay	13%	18%
Other third-party payors	2%	1%
	100%	100%

Note 12 – Contingencies

Medicare advance payments – The Organization applied for and received $14,364,852 under the Accelerated Payment Program, administered by the Centers for Medicare and Medicaid Services (CMS). This amount is treated as an advance liability bearing no interest and with a recoupment period that was originally scheduled to begin 120 days following receipt of the accelerated payments. On September 30, 2020, a new funding bill was enacted, which delayed recoupment of such funds. The recently finalized funding bill now gives companies one year before Medicare can claim payments to repay the advance payments. Additionally, the measure lowers the interest rate on outstanding payments after the 29-month period from 10.25% to 4.00%. The Organization expects recoupment to begin in April 2021 and it will have 29 months from that point to fully repay the advance if it is not recouped by Medicare. The Organization has included $5,186,622 in current liabilities and $9,178,230 in long-term liabilities within the consolidated statement of net position.

Provider relief funding – The Organization received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (HHS), under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of $14,140,698. The Organization has recognized the payments as other non-operating revenue. The Organization was required to agree to the terms and conditions of payments. Those terms and conditions include measures to help prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for expenses or lost revenue attributable to coronavirus. Also, anti-fraud monitoring and auditing will be done by HHS and the Office of the Inspector General. HHS may issue more specific guidance in the future on how the lost revenue and expenses should be calculated, which may result in modification to management's estimates in future periods.

Current economic outlook – The global crisis resulting from the spread of COVID-19 had a substantial impact on healthcare operations throughout the county during the year ended December 31, 2020. Management cannot currently estimate the duration or the future impact of the COVID-19 pandemic on the Organization; neither are they able to predict how the pandemic will evolve nor how various government entities will respond to its evolution. Although the Organization managed the challenges of COVID-19 through 2020, it could be impacted by future COVID-19 events, including government orders, required scaling back of elective procedures, or limited staff and supply resources. Such material adverse impacts from the COVID-19 pandemic could result in reduced future revenue and cash flow.

Litigation – The District is involved in litigation arising in the ordinary course of business. Based on consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the District's future financial position or results from operations.

Compliance with laws and regulations – The health care industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased substantially. Violations of these laws and regulations could result in expulsion from government health care 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 the fraud and abuse regulations, as well as other applicable government laws and regulations. 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.

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Report of Independent Auditors 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*

To the Board of Commissioners
Grays Harbor Public Hospital District No. 2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grays Harbor Public Hospital District No. 2 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 10, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Everett, Washington
May 10, 2021

Required Supplementary Information

Grays Harbor Public Hospital District No. 2
Schedule of Proportionate Share of Net Pension Asset as of December 31

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total pension liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest (on the total pension liability)	1,878,337	1,824,942	1,700,578	1,637,791	1,613,938
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	238,100	308,812	429,870	530,448	-
Change in assumptions	-	206,729	1,015,579	34,997	-
Benefit payments	(1,698,240)	(1,558,847)	(1,416,841)	(1,315,322)	(1,276,455)
Net change in total pension liability	418,197	781,636	1,729,186	887,914	337,483
Total pension liability - beginning	25,893,616	25,111,980	23,382,794	22,494,880	22,157,397
Total pension liability - ending (a)	$ 26,311,813	$ 25,893,616	$ 25,111,980	$ 23,382,794	$ 22,494,880
Plan fiduciary net position					
Employer contributions	$ -	$ 87,991	$ -	$ 22,491	$ -
Net investment income (loss)	5,193,490	(975,598)	3,731,705	2,431,596	(461,904)
Benefit payments	(1,698,240)	(1,558,847)	(1,416,841)	(1,315,322)	(1,276,455)
Administrative expense and other	410,961	157,837	161,526	118,161	69,170
Net change in plan fiduciary net position	3,906,211	(2,288,617)	2,476,390	1,256,926	(1,669,189)
Plan fiduciary net position - beginning	24,311,192	26,599,809	24,123,419	22,866,493	24,535,682
Plan fiduciary net position - ending (b)	$ 28,217,403	$ 24,311,192	$ 26,599,809	$ 24,123,419	$ 22,866,493
Net pension (liability) asset (b) - (a)	$ 1,905,590	$ (1,582,424)	$ 1,487,829	$ 740,625	$ 371,613
Fiduciary net position as a percentage of the total pension liability	107.24%	93.89%	105.92%	103.17%	101.65%
Covered employer payroll	$ 17,707,968	$ 33,399,880	$ 36,340,964	$ 34,754,575	$ 30,871,305
Net pension asset as a percentage of covered employee payroll	10.76%	-4.74%	4.09%	2.13%	1.20%

* As this is a newly adopted standard, information is only available for five years.

Grays Harbor Public Hospital District No. 2
Schedule of Employer Contributions as of December 31

Fiscal Year Ended	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency	Covered-Employee Payroll	Contribution as a Percentage of Covered Payroll
12/31/2015	$ -	$ -	$ -	$ 30,871,305	0.00%
12/31/2016	$ 22,491	$ 22,491	$ -	$ 34,754,575	0.00%
12/31/2017	$ 87,991	$ -	$ -	$ 36,340,964	0.00%
12/31/2018	$ -	$ 87,991	$ -	$ 33,399,880	0.00%
12/31/2019	$ -	$ -	$ -	$ 17,707,968	0.00%

* As this is a newly adopted standard, information is only available for the last five years.

Grays Harbor Public Hospital District No. 2
Schedule of Investment Returns

	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expenses	22.08%	-3.72%	15.86%	10.91%	-1.93%

* As this is a newly adopted standard, information is only available for the last five years.

Supplementary Information

Grays Harbor Public Hospital District No. 2
Summary Statement of Net Position
December 31, 2020

	Hospital	Foundation	GHCHPS	District	Eliminations	Consolidated Total
CURRENT ASSETS						
Cash and cash equivalents	$ 23,639,332	$ 243,890	$ 736,779	$ 4,191,709	$ -	$ 28,811,710
Short-term investments	-	52,657	-	-	-	52,657
Patient accounts receivable, net	20,300,503	-	1,178,545	-	-	21,479,048
Supplies inventory	2,049,668	-	-	-	-	2,049,668
Prepaid expenses and other assets	2,150,723	-	3,296	23,825	-	2,177,844
Total current assets	48,140,226	296,547	1,918,620	4,215,534	-	54,570,927
ASSETS LIMITED AS TO USE						
Board-designated assets	25,621	2,211,804	-	993,221	-	3,230,646
By donors for endowment	-	5,324,782	-	-	-	5,324,782
Assets held under bond indenture agreements	-	-	-	2,396,450	-	2,396,450
	25,621	7,536,586	-	3,389,671	-	10,951,878
CAPITAL ASSETS, net	31,336,388	-	-	-	-	31,336,388
OTHER ASSETS						
Due from affiliates	45,749,448	140,184	-	-	(45,889,632)	-
NET PENSION ASSET	1,905,590	-	-	-	-	1,905,590
Total assets	127,157,273	7,973,317	1,918,620	7,605,205	(45,889,632)	98,764,783
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	2,253,698	-	-	-	-	2,253,698
Total assets and deferred outflows of resources	$ 129,410,971	$ 7,973,317	$ 1,918,620	$ 7,605,205	$ (45,889,632)	$ 101,018,481

Grays Harbor Public Hospital District No. 2
Summary Statement of Net Position (continued)
December 31, 2020

	Hospital	Foundation	GHCHPS	District	Eliminations	Consolidated Total
CURRENT LIABILITIES						
Accounts payable	$ 13,551,153	$ 216	$ 418,708	$ 32,575	$ -	$ 14,002,652
Accrued payroll and related liabilities	4,561,229	-	651,625	4,803	-	5,217,657
Accrued interest	11,024	-	-	-	-	11,024
Estimated third-party payor settlements	820,913	-	-	-	-	820,913
Paycheck protection program loan	9,775,000	-	-	-	-	9,775,000
Current portion of advance Medicare payments	5,186,622	-	-	-	-	5,186,622
Current portion of long-term debt	-	-	-	670,000	-	670,000
Total current liabilities	33,905,941	216	1,070,333	707,378	-	35,683,868
DUE TO HOSPITAL	-	315,671	45,409,406	24,371	(45,749,448)	-
DUE TO FOUNDATION	140,184	-	-	-	(140,184)	-
ADVANCE MEDICARE PAYMENTS	9,178,230	-	-	-	-	9,178,230
LONG-TERM DEBT, net of current portion	-	-	-	35,831,847	-	35,831,847
Total liabilities	43,224,355	315,887	46,479,739	36,563,596	(45,889,632)	80,693,945
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	3,682,396	-	-	-	-	3,682,396
NET POSITION						
Invested in capital assets, net of related debt	31,336,388	-	-	-	-	31,336,388
Restricted expendable for debt service	-	-	-	2,396,450	-	2,396,450
Restricted nonexpendable for permanent endowment	-	5,324,782	-	-	-	5,324,782
Unrestricted	51,167,832	2,332,648	(44,561,119)	(31,354,841)	-	(22,415,480)
Total net position	82,504,220	7,657,430	(44,561,119)	(28,958,391)	-	16,642,140
Total liabilities, deferred inflows of resources, and net position	$ 129,410,971	$ 7,973,317	$ 1,918,620	$ 7,605,205	$ (45,889,632)	$ 101,018,481

Grays Harbor Public Hospital District No. 2
Summary Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2020

	Hospital	Foundation	GHCHPS	District	Eliminations	Consolidated Total
OPERATING REVENUES						
Net patient service revenue (net of provision for bad debts)	$ 74,791,340	$ -	2,965,954	$ -	$ -	$ 77,757,294
Property tax revenue	-	-	-	4,416,994	-	4,416,994
Other operating revenue	2,072,710	19,930	117,041	-	(232,885)	1,976,796
Total operating revenues	76,864,050	19,930	3,082,995	4,416,994	(232,885)	84,151,084
OPERATING EXPENSES						
Salaries and benefits	43,625,397	-	10,404,284	51,207	-	54,080,888
Purchased services	20,419,680	11,961	(6,412,591)	2,602	-	14,021,652
Professional fees	6,492,162	-	4,408,286	133,828	-	11,034,276
Supplies	10,000,127	16	215,645	-	-	10,215,788
Occupancy	2,981,785	-	136,413	-	-	3,118,198
Depreciation and amortization	2,880,802	-	-	-	-	2,880,802
Other expenses	1,817,133	210,116	270,643	25,606	(232,885)	2,090,613
Interest	93,631	-	18,217	1,704,298	-	1,816,146
Total operating expenses	88,310,717	222,093	9,040,897	1,917,541	(232,885)	99,258,363
Operating income (loss)	(11,446,667)	(202,163)	(5,957,902)	2,499,453	-	(15,107,279)
NONOPERATING REVENUES						
Investment income (loss)	(4,308)	954,396	-	11,394	-	961,482
Provider relief funding	14,140,698	-	-	-	-	14,140,698
Total nonoperating revenues	14,136,390	954,396	-	11,394	-	15,102,180
Excess (deficit) of revenues over expenses	2,689,723	752,233	(5,957,902)	2,510,847	-	(5,099)
NET POSITION, beginning of year	79,814,497	6,905,197	(38,603,217)	(31,469,238)	-	16,647,239
NET POSITION, end of year	$ 82,504,220	$ 7,657,430	$ (44,561,119)	$ (28,958,391)	$ -	$ 16,642,140


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