



Office of the Washington State Auditor  
Pat McCarthy

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

# **Grant County Public Hospital District No. 5**

**(Mattawa Community Medical Clinic)**

**For the period January 1, 2019 through December 31, 2020**

*Published August 25, 2022*

Report No. 1030989



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

August 25, 2022

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Mattawa Community Medical Clinic January 1, 2020 through December 31, 2020**

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

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

#### **Financial Statements**

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

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

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

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

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

## Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

| <u>CFDA No.</u> | <u>Program or Cluster Title</u>  |
|-----------------|--|
| 93.224          | Health Center Program Cluster – COVID-19 – Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) |
| 93.527          | Health Center Program Cluster – Grants for New and Expanded Services under the Health Center Program   |

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Mattawa Community Medical Clinic January 1, 2020 through December 31, 2020**

#### **2020-001 The District's internal controls over accounting and financial statement preparation were inadequate for ensuring accurate and timely reporting.**

##### ***Background***

District management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

State law requires local governments to submit annual financial reports to the State Auditor's Office within 150 days of the end of the fiscal year. In 2005, the State Auditor's Office issued a letter to all public hospital districts informing them that their reports would not be considered late if we received them within 180 days of the end of the fiscal year. As part of the annual financial report, all local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA). Local governments that spend \$750,000 or more in federal funds must receive a federal Single Audit within nine months after their fiscal year-end.

Additionally, Mattawa Community Medical Clinic was incorporated as a nonprofit corporation in 2010 to support the District's charitable, educational and scientific programs. While the Clinic and the District have separate governing bodies, they have since operated financially as one entity. The District and the Clinic do not separate their financial activity in the general ledger or the financial statements. These two organizations appear to be legally separate entities, thus requiring the District to report the Clinic as a component unit.

*Government Auditing Standards* requires the State Auditor's Office to communicate significant deficiencies as a finding. The Applicable Laws and Regulations section below defines the standards for significant deficiencies.

##### ***Description of Condition***

The current audit identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- The District did not take appropriate action to submit accurate and timely annual reports.
- The District has not assessed whether the Clinic is a legally separate entity, nor has it evaluated how much of the overall financial activity belongs to the District versus the Clinic. Additionally, the District has not evaluated the proper reporting of this relationship as either a blended or discreetly presented component unit.
- The District lacked oversight and monitoring of accounts payable expenditures to ensure payments for supplies were for actual purchases.

### *Cause of Condition*

The District did not prioritize timely completion of the annual report. Additionally, the District has operated with the understanding that the District and Clinic were a combined organization. In other words, the District operates as “doing business as” Mattawa Community Medical Clinic. As such, management did not consider whether the Clinic was a legally separate entity.

The District pays one vendor using bimonthly statements instead of individual invoices. Staff did not verify the District received the supplies before paying the vendor. This resulted in the District making overpayments on credit amounts and duplicate invoices. District staff did not have adequate knowledge of the statements, and management did not provide effective oversight and approval of these expenses.

### *Effect of Condition*

The District submitted the annual report electronically on November 1, 2021, which was 125 days after the reporting deadline. The District had originally sent financial statements to the State Auditor’s Office through email on September 12, 2021, which was 74 days past the reporting deadline. This reporting delay caused the District to miss the federal Single Audit deadline.

Since management has not performed a legal analysis of the relationship between the District and Clinic, the District did not separate the financial activity between the two organizations, which appear to be separate legal entities. Therefore, we were unable to determine what financial activity should have reported as the District’s versus the Clinic’s. It appears the District should report the Clinic as a component unit; however, without management performing this legal evaluation, the District cannot show whether this component unit should be blended or discreetly presented.

Finally, the District overpaid a vendor \$185,740 in 2020 and overstated expenses by the same amount.

### ***Recommendation***

We recommend the District establish and follow effective internal controls over preparing its financial statements. This should include:

- Preparing financial statements timely to ensure compliance with reporting deadlines
- Evaluating the legal relationship between the District and Clinic to determine the correct reporting of these two entities
- Accurately paying vendors based on actual purchases received and ensuring financial statements reflect actual expenses incurred during the period

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

**Condition:** The District did not take appropriate action to submit accurate and timely annual reports.

*The District finance team of approximately 2.0 FTEs worked diligently to adhere to required deadlines for financial reporting, and have processes in place to assure timely submissions. At the time the report was due, the state's Reporting Portal did not allow District staff access to enter the information, nor did it provide an alternate method of submission. After attempts to gain access to the portal, the auditor ultimately connected District finance and IT staff with an SAO IT support technician to establish the relevant access credentials. The report was then submitted; however, issues arose following data entry that prevented submission. District staff learned of this only when notified by the auditors (i.e., upon submission the system did not alert District that submission failed). SAO IT again had to assist to resolve. During this problem solving phase, while working with SAO IT, an email copy of the financial report was submitted to the auditors which included the prepared financial statements, schedule of federal awards, notes to the financial statements, and all relevant tables.*

*The District will maintain access information for the state portal with an expectation that the District will not be locked out in the future, and will research options for timely submission should system fail again.*

**Condition:** The District has not assessed whether the Clinic is a legally separate entity, nor has it evaluated how much of the overall financial activity belongs to the District versus the Clinic. Additionally, the District has not evaluated the proper



reporting of this relationship as either a blended or discreetly presented component unit.

*The District and the Clinic have engaged the services of an attorney for the purpose of evaluating the legal structure to communicate a clear description of the District and the Clinic roles, responsibilities, and financial activities. Within a well-defined legal structure, the District will maintain and monitor financial activities for both entities so that the division is clear and consistent with legal requirements. The attorney may update the Co-Applicant Agreement which documents the arrangement and limitations of each entity's role, responsibilities, and financial activities, as necessary.*

**Condition:** The District lacked oversight and monitoring of accounts payable expenditures to ensure payments for supplies were for actual purchases.

*The District acknowledges overpayment for a vendor due to remittance of payments based on statements. The issue was initially discovered in late 2020 and corrected through the implementation of additional review processes for accounts payable. This entails the accounts payable clerk submitting on a weekly basis the current payment batch with the relevant invoice attached to the report to the CEO for approval before payments are made. This report is saved electronically for the finance team to review to ensure the documentation supports the payment that was issued. The correction for FY2020 overpayment was not resolved when the audit began but was ultimately resolved after working with the audit team and obtaining detailed information from the vendor.*

### ***Auditor's Remarks***

We contacted the District on July 19, 2021 (after the filing deadline) to inquire about the District's annual report; however, the District had not yet completed its report. We continued our inquiries throughout August and into September until receiving the statements September 12th. In addition, we brought the accounts payable expenditures to the District's attention in late 2021, at which time the District told us they were not aware of the issue. We will review the District's internal control over financial statement preparation again during our next audit. We reaffirm our finding.

### ***Applicable Laws and Regulations***

*Budgeting Accounting and Reporting System (BARS) manual – Accounting Principles and Controls, Internal Control, Sections 3.1.3.20 and 3.1.3.30*

RCW 43.09.200 – Local government accounting – Uniform system of accounting

RCW 43.09.230 – Local government accounting – Annual reports – Comparative statistics

Governmental Accounting Standards Board (GASB) Statement No. 14 – *The Financial Reporting Entity*

Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 501, Audit requirements



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Mattawa Community Medical Clinic January 1, 2020 through December 31, 2020

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

|   |   |   |                                  |
|---|---|---|----------------------------------|
| <b>Audit Period:</b><br>January 1, 2019 –<br>December 31, 2019  | <b>Report Reference No.:</b><br>1027289 | <b>Finding Ref. No.:</b><br>2019-001    | <b>CFDA Number(s):</b><br>93.527 |
| <b>Federal Program Name and Granting Agency:</b><br>Grant for New and Expanded Services under the<br>Health Center Program<br>U.S. Department of Health & Human Services  |   | <b>Pass-Through Agency Name:</b><br>N/A |                                  |
| <b>Finding Caption:</b><br>The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.  |   |   |                                  |
| <b>Background:</b><br>The District incorrectly relied on the National Practitioner Data Base for suspension and debarment requirements and did not correctly verify that one contractor was not suspended and debarred from participating in federal programs.                              |   |   |                                  |
| <b>Status of Corrective Action: (check one)</b><br><input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid                                   |   |   |                                  |
| <b>Corrective Action Taken:</b><br><i>We now use both the NCPDP and SAM to ensure that all providers contracted by the Grant County Public Hospital District No. 5 do not have any actions against themselves or their licenses. This action was taken prior to the exit of this audit.</i> |   |   |                                  |

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Mattawa Community Medical Clinic January 1, 2019 through December 31, 2020**

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mattawa Community Medical Clinic, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 16, 2022.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001 that we consider to be significant deficiencies.

## **REPORT ON 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*.

## **DISTRICT'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **PURPOSE OF THIS REPORT**

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

August 16, 2022

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Mattawa Community Medical Clinic January 1, 2020 through December 31, 2020**

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

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

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

We have audited the compliance of Mattawa Community Medical Clinic, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

#### **Basis for Opinion on Each Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;



- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 16, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Mattawa Community Medical Clinic January 1, 2019 through December 31, 2020**

Board of Commissioners  
Mattawa Community Medical Clinic  
Mattawa, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of Mattawa Community Medical Clinic, 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 basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Mattawa Community Medical Clinic, as of December 31, 2020 and 2019, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Matters of Emphasis**

As discussed in Note 12 to the 2020 and 2019 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impacts on the District is unknown. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Pat McCarthy, State Auditor

Olympia, WA

August 16, 2022

## **FINANCIAL SECTION**

### **Mattawa Community Medical Clinic January 1, 2019 through December 31, 2020**

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020 and 2019

Statement of Revenues, Expenses and Changes in Net Position – 2020 and 2019

Statement of Cash Flows – 2020 and 2019

Notes to Basic Financial Statements – 2020 and 2019

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

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

**Statements of Net Position**

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| <i>Current assets</i>   |                     |                     |
| Cash and cash equivalents   | \$ 927,271          | \$ 138,446          |
| Receivables:  |                     |                     |
| Patient accounts, net of estimated uncollectibles<br>of \$16,166 and \$14,943, respectively | 195,821             | 144,957             |
| Taxes   | 12,160              | 12,886              |
| Enhancement   | 35,999              | 28,488              |
| WIC   | 21,252              | 26,222              |
| Grants  | 107,774             | 186,572             |
| Inventories   | 53,832              | 41,471              |
| Prepaid expenses/Other Current Assets   | 2,710               | 4,126               |
| Total current assets  | 1,356,820           | 583,167             |
| <i>Noncurrent assets</i>  |                     |                     |
| Capital assets, net   | 1,131,651           | 1,054,974           |
| <b>Total assets</b>   | <b>\$ 2,488,471</b> | <b>\$ 1,638,141</b> |
| Total Deferred Outflow of Resources   | \$ -                | \$ -                |
| <b>LIABILITIES AND NET POSITION (DEFICIT)</b>   |                     |                     |
| <i>Current liabilities</i>  |                     |                     |
| Current maturities of long-term debt  | \$ 51,101           | \$ 49,035           |
| Warrants outstanding  | 87,166              | 332,596             |
| Accounts payable and other accrued expenses   | 318,436             | 176,011             |
| Accrued compensation and related liabilities  | 178,136             | 116,051             |
| Accrued interest payable  | -                   | -                   |
| Deferred Revenue  | 49,713              | -                   |
| Estimated third-party payor settlements   | 300,100             | 307,878             |
| Total current liabilities   | 984,653             | 981,571             |
| <i>Noncurrent liabilities</i>   |                     |                     |
| Long-term debt, net of current maturities   | 1,079,879           | 1,130,639           |
| Total liabilities   | 2,064,532           | 2,112,211           |
| Total Deferred Inflow of Resources  | \$ -                | \$ -                |
| <i>Net position (deficit)</i>   |                     |                     |
| Net investment in capital assets  | 672                 | (124,700)           |
| Unrestricted  | 423,269             | (349,370)           |
| Total net position (deficit)  | 423,940             | (474,070)           |
| <b>Total liabilities and net position (deficit)</b>   | <b>\$ 2,488,471</b> | <b>\$ 1,638,141</b> |

See accompanying notes to basic financial statements.



**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

**Statements of Revenues, Expenses, and Changes in Net Position**

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| <i>Operating revenues</i>   |                     |                     |
| Net patient revenue, net of provision for bad debts of<br>approximately \$16,166 and \$14,943, respectively | \$ <b>1,875,017</b> | \$ 1,633,919        |
| Health Resources and Services Administration (HRSA) grant   | <b>1,498,431</b>    | 1,017,357           |
| WIC   | <b>38,402</b>       | 56,685              |
| Other grants  | <b>21,568</b>       | 12,501              |
| Third Party Settlement adjustment for 2011 - 2013   | -                   | 453,563             |
| Other   | <b>354,555</b>      | 62,793              |
| Total operating revenues  | <b>3,787,972</b>    | 3,236,817           |
| <i>Operating expenses</i>   |                     |                     |
| Salaries and wages  | <b>1,699,090</b>    | 1,438,404           |
| Employee benefits   | <b>377,331</b>      | 340,013             |
| Supplies  | <b>466,222</b>      | 300,424             |
| Professional fees   | <b>338,072</b>      | 421,373             |
| Depreciation  | <b>144,993</b>      | 118,519             |
| Rentals and leases  | -                   | 5,597               |
| Insurance   | <b>31,650</b>       | 21,356              |
| Utilities   | <b>59,697</b>       | 41,798              |
| Repairs and maintenance   | <b>15,705</b>       | 25,998              |
| Other   | <b>134,798</b>      | 183,629             |
| Total operating expenses  | <b>3,267,559</b>    | 2,897,110           |
| <i>Operating Income (loss)</i>  | <b>520,413</b>      | 339,708             |
| <i>Nonoperating revenues (expenses)</i>   |                     |                     |
| Property tax revenue  | <b>420,651</b>      | 402,015             |
| Rent income   | <b>14,410</b>       | 13,900              |
| Interest income   | <b>204</b>          | 575                 |
| Interest expense  | <b>(57,612)</b>     | (69,529)            |
| Total nonoperating revenues (expenses), net   | <b>377,654</b>      | 346,961             |
| Change in net position (deficit)  | <b>898,010</b>      | 686,669             |
| Net position (deficit), beginning of year   | <b>(474,070)</b>    | (1,160,739)         |
| <b>Net position/(deficit), end of year</b>  | <b>\$ 423,940</b>   | <b>\$ (474,070)</b> |

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

**Statements of Cash Flows**

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| <i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>  |                   |                   |
| <i>Cash flows from operating activities</i>                     |                   |                   |
| Receipts from and on behalf of patients                         | \$ 1,808,092      | \$ 1,485,174      |
| Receipts from HRSA grant  | 1,979,505         | 1,191,449         |
| Other receipts  | 359,525           | 107,786           |
| Other grant receipts  | (341,551)         | (262,251)         |
| Payments to and on behalf of employees                          | (2,014,337)       | (1,777,611)       |
| Payments to suppliers and contractors                           | (914,708)         | (932,186)         |
| Net cash used in operating activities                           | 876,526           | (187,640)         |
| <i>Cash flows from noncapital financing activities</i>          |                   |                   |
| Net change in registered warrants outstanding                   | (245,430)         | (65,967)          |
| Deferred revenue  | 49,713            | -                 |
| Property taxes  | 421,377           | 404,710           |
| Net cash provided by noncapital financing activities            | 225,661           | 338,743           |
| <i>Cash flows from capital and related financing activities</i> |                   |                   |
| Purchase of capital assets                                      | (221,670)         | (86,183)          |
| Principal paid on long-term debt                                | (48,694)          | (47,053)          |
| Interest paid on long-term debt                                 | (57,612)          | (69,529)          |
| Net cash used in capital and related financing activities       | (327,976)         | (202,765)         |
| <i>Cash flows from investing activities</i>                     |                   |                   |
| Interest received   | 204               | 575               |
| Rent received   | 14,410            | 13,900            |
| Net cash provided by investing activities                       | 14,614            | 14,475            |
| Net increase (decrease) in cash and cash equivalents            | 788,824           | (37,188)          |
| Cash and cash equivalents, beginning of year                    | 138,446           | 175,634           |
| <b>Cash and cash equivalents, end of year</b>                   | <b>\$ 927,271</b> | <b>\$ 138,446</b> |

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2020 and 2019**

|   | 2020              | 2019                |
|---|-------------------|---------------------|
| <b><i>Reconciliation of Operating Loss to Net Cash<br/>Used in Operating Activities</i></b> |                   |                     |
| Operating Income/(Loss)   | \$ 334,669        | \$ 339,708          |
| <i>Adjustments to reconcile operating loss to<br/>net cash used in operating activities</i> |                   |                     |
| Depreciation  | 144,993           | 118,519             |
| Provision for bad debts   | 18,319            | 20,868              |
| Decrease (increase) in assets:  |                   |                     |
| Receivables:  |                   |                     |
| Patient accounts, net   | (76,695)          | (50,801)            |
| Enhancement   | (755)             | 3,220               |
| WIC   | 4,970             | (11,692)            |
| Grants  | 79,553            | (100,660)           |
| Prepaid expenses  | (10,962)          | (35,001)            |
| Increase (decrease) in liabilities:   |                   |                     |
| Accounts payable  | 328,126           | 102,989             |
| Accrued compensation and related liabilities  | 62,084            | 805                 |
| Estimated third-party payor settlements   | (7,778)           | (575,595)           |
| <b>Net cash used in operating activities</b>  | <b>\$ 876,526</b> | <b>\$ (187,640)</b> |

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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

**a. Reporting Entity**

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

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

Health care services are provided through the District outpatient care facilities located in Mattawa, Washington. The District utilizes a sliding fee scale for eligible patients, substantially all of whom are local residents. The District requires proof of income from qualifying patients for the sliding fee scale and when appropriate, obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicaid and commercial insurance policies).

**b. Summary of Significant Accounting Policies**

***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

***Cash and Cash Equivalents*** – Substantially, all cash receipts are deposited directly to the District's depository account with the Grant County Treasurer (County Treasurer). Periodically, such cash is transferred to the operating account and warrants are issued by the District against the cash placed with the County Treasurer. For purposes of the statements of cash flows, the District considers all cash and cash investments with maturity dates of less than 90 days as cash and cash equivalents. As of December 31, 2020, and 2019 the District reported no cash equivalents.

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

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**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.

***In-Kind Contributions*** – In addition to receiving cash contributions, the Organization receives in-kind contributions of pharmacy inventory and various other services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as inventory or expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year 2020 and 2019, in-kind contributions of \$31,000 and \$36,000, respectively, were received.

***Future Accounting Standards*** – In fiscal year 2021, the Organization will adopt ASU 2014-09, *Revenue from Contracts with Customers*, which applies to all contracts with customers, other than those within the scope of other standards, such as leases, insurance, financing arrangements, financial instruments and guarantees. The core principle of the new model is that an entity would recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive.

In fiscal year 2023, the Organization will adopt ASU 2016-02, *Leases (Topic 842)*, which will require a lessee to recognize lease assets and liabilities on its balance sheet for all leases with terms of more than 12 months. The District has not yet determined the impact of these the financial statements.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

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

***Federal Income Tax*** – The District is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is necessary. The District evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2020, and 2019, the District had no uncertain tax positions requiring accrual.

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

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

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

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

***Subsequent events*** – Subsequent events have been reviewed through July 31, 2022, the date on which the financial statements were available to be issued.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the year following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

Because the service provided by the District is an essential service, the potential financial and operational was not significantly negative to date. The district increased efforts to continue to serve its patients and the community as a whole during the pandemic. The district is also the

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

recipient of grant funding to support operating cost, including payroll. Management is continuing to work with several large employers in the community to provide testing and care for their employees.

The length of time these measures will be in place, and the full extent of the future financial impact on the District is unknown at this time.

**2. Bank Deposits and Investments:**

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

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

**Investments** – The *Revised Code of Washington*, Chapter 39, RCW 36.29, 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 Grant County Local Government Investment Pool at December 31, 2020 and 2019, were \$30,157 and \$29,953, respectively. The Grant County Local Government Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

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

**Registered warrants** – At December 31, 2020, the warrants outstanding of \$87,166 (current expenditures). At December 31, 2019, the warrants outstanding of \$332,596 contained total registered warrants of \$265,666, which bore interest at 3.5%.

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.



**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

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

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

|  | <b>2020</b>       | <b>2019</b>       |
|--|-------------------|-------------------|
| Receivables from patients and their insurance carriers | \$ 45,310         | \$ 122,758        |
| Receivables from Medicare                              | 754               | 7,109             |
| Receivables from Medicaid                              | 165,924           | 30,032            |
| Total patient accounts receivable                      | 211,988           | 159,900           |
| Less allowance for uncollectible accounts              | 16,166            | 14,943            |
| <b>Patient accounts receivable, net</b>                | <b>\$ 195,821</b> | <b>\$ 144,957</b> |

**4. Property Taxes:**

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the Grant County Assessor at 100% of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. The assessed property is subject to lien on the levy date and taxes are considered delinquent after October 31. Collections are distributed monthly to the District by the County Treasurer.

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

Property taxes are recorded as collected and adjusted at year-end for outstanding receivables. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**5. Capital Assets:**

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

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

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

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

**Capital Asset Rollforward**

|  | December 31,<br>2019 | Additions        | Retirements | Transfers          | December 31,<br>2020 |
|--|----------------------|------------------|-------------|--------------------|----------------------|
| <b><i>Capital assets not being depreciated</i></b> |                      |                  |             |                    |                      |
| Land \$  | 105,608              | \$ 6,300         | \$ -        | \$ -               | \$ 111,908           |
| Projects in Progress                               | 23,070               | -                | -           | (23,070)           | -                    |
| Total capital assets not being depreciated         | 128,679              | 6,300            | -           | (23,070)           | 111,908              |
| <b><i>Capital assets being depreciated</i></b>     |                      |                  |             |                    |                      |
| Building   | 1,605,656            | 66,386           | -           | -                  | 1,672,042            |
| Medical Equipment                                  | 222,787              | -                | -           | -                  | 222,787              |
| Dental Equipment                                   | 131,728              | 25,500           | -           | -                  | 157,229              |
| Furniture & Equipment                              | 98,758               | -                | -           | -                  | 98,758               |
| Computer Hardware & Software                       | 145,957              | 10,854           | -           | -                  | 156,811              |
| Vehicles   | 51,397               | 135,700          | -           | -                  | 187,097              |
| Total capital assets being depreciated             | 2,256,283            | 238,441          | -           | 0                  | 2,494,724            |
| <b><i>Less accumulated depreciation for</i></b>    |                      |                  |             |                    |                      |
| Building   | (918,115)            | (56,723)         | -           | -                  | (974,838)            |
| Medical Equipment                                  | (198,867)            | (11,709)         | -           | -                  | (210,577)            |
| Dental Equipment                                   | (48,606)             | (23,580)         | -           | -                  | (72,187)             |
| Furniture & Equipment                              | (74,464)             | (8,831)          | -           | -                  | (83,295)             |
| Computer Hardware & Software                       | (80,512)             | (18,039)         | -           | -                  | (98,550)             |
| Vehicles   | (9,423)              | (26,111)         | -           | -                  | (35,534)             |
| Total accumulated depreciation                     | (1,329,987)          | (144,993)        | -           | -                  | (1,474,980)          |
| Total capital assets being depreciated, net        | 926,296              | 93,447           | -           | -                  | 1,019,743            |
| <b>Total capital assets, net</b>                   | <b>\$ 1,054,974</b>  | <b>\$ 99,747</b> | <b>\$ -</b> | <b>\$ (23,070)</b> | <b>\$ 1,131,652</b>  |

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

5. Capital Assets (continued):

|  | December 31,<br>2018 | Additions          | Retirements | Transfers   | December 31,<br>2019 |
|--|----------------------|--------------------|-------------|-------------|----------------------|
| <b><i>Capital assets not being depreciated</i></b> |                      |                    |             |             |                      |
| Land \$  | 105,608              | \$ -               | \$ -        | \$ -        | \$ 105,608           |
| Projects in Progress                               | -                    | 23,070             | -           | -           | 23,070               |
| Total capital assets not being depreciated         | 105,608              | 23,070             | -           | -           | 128,679              |
| <b><i>Capital assets being depreciated</i></b>     |                      |                    |             |             |                      |
| Building   | 1,605,656            | -                  | -           | -           | 1,605,656            |
| Medical Equipment                                  | 222,787              | -                  | -           | -           | 222,787              |
| Dental Equipment                                   | 131,728              | -                  | -           | -           | 131,728              |
| Furniture & Equipment                              | 104,378              | -                  | -           | (5,620)     | 98,758               |
| Computer Hardware & Software                       | 128,621              | 11,716             | -           | 5,620       | 145,957              |
| Vehicles   | -                    | 51,397             | -           | -           | 51,397               |
| Total capital assets being depreciated             | 2,193,170            | 63,113             | -           | 0           | 2,256,283            |
| <b><i>Less accumulated depreciation for</i></b>    |                      |                    |             |             |                      |
| Building   | (866,367)            | (51,748)           | -           | -           | (918,115)            |
| Medical Equipment                                  | (187,156)            | (11,711)           | -           | -           | (198,867)            |
| Dental Equipment                                   | (25,937)             | (22,669)           | -           | -           | (48,606)             |
| Furniture & Equipment                              | (70,044)             | (4,420)            | -           | -           | (74,464)             |
| Computer Hardware & Software                       | (61,964)             | (18,547)           | -           | -           | (80,512)             |
| Vehicles   | -                    | (9,423)            | -           | -           | (9,423)              |
| Total accumulated depreciation                     | (1,211,468)          | (118,519)          | -           | -           | (1,329,987)          |
| Total capital assets being depreciated, net        | 981,703              | (55,406)           | -           | -           | 926,296              |
| <b>Total capital assets, net</b>                   | <b>\$ 1,087,311</b>  | <b>\$ (32,336)</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 1,054,974</b>  |

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**6. Long-term Debt:**

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

**Long-term debt**

|                                     | Balance<br>December 31,<br>2019 | Additions   | Reductions         | Balance<br>December 31,<br>2020 | Amount<br>Due Within<br>One Year |
|-------------------------------------|---------------------------------|-------------|--------------------|---------------------------------|----------------------------------|
| <i>Long-term debt</i>               |                                 |             |                    |                                 |                                  |
| Town of Mattawa - LID               | \$ 2,500                        | \$ -        | \$ -               | \$ 2,500                        | \$ 341                           |
| Limited tax general obligation bond |                                 |             |                    |                                 |                                  |
| Series A                            | 700,113                         | -           | (28,818)           | 671,294                         | 30,056                           |
| Limited tax general obligation bond |                                 |             |                    |                                 |                                  |
| Series B                            | 477,062                         | -           | (19,876)           | 457,186                         | 20,704                           |
| <b>Total long-term debt</b>         | <b>\$ 1,179,674</b>             | <b>\$ -</b> | <b>\$ (48,694)</b> | <b>\$ 1,130,980</b>             | <b>\$ 51,101</b>                 |

|                                     | Balance<br>December 31,<br>2018 | Additions   | Reductions         | Balance<br>December 31,<br>2019 | Amount<br>Due Within<br>One Year |
|-------------------------------------|---------------------------------|-------------|--------------------|---------------------------------|----------------------------------|
| <i>Long-term debt</i>               |                                 |             |                    |                                 |                                  |
| Town of Mattawa - LID               | \$ 2,841                        | \$ -        | \$ (341)           | \$ 2,500                        | \$ 341                           |
| Limited tax general obligation bond |                                 |             |                    |                                 |                                  |
| Series A                            | 727,744                         | -           | (27,631)           | 700,113                         | 27,631                           |
| Limited tax general obligation bond |                                 |             |                    |                                 |                                  |
| Series B                            | 496,143                         | -           | (19,081)           | 477,062                         | 19,081                           |
| <b>Total long-term debt</b>         | <b>\$ 1,226,728</b>             | <b>\$ -</b> | <b>\$ (47,054)</b> | <b>\$ 1,179,674</b>             | <b>\$ 47,053</b>                 |

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

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

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

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

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

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

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

| Years Ending<br>December 31, | Long-term Debt      |                   |                     |
|------------------------------|---------------------|-------------------|---------------------|
|                              | Principal           | Interest          | Total               |
| 2021                         | \$ 51,101           | \$ 47,013         | \$ 98,114           |
| 2022                         | 53,255              | 44,842            | 98,097              |
| 2023                         | 55,500              | 42,580            | 98,080              |
| 2024                         | 57,841              | 40,222            | 98,063              |
| 2025                         | 60,281              | 37,765            | 98,046              |
| 2026-2030                    | 341,395             | 148,192           | 489,588             |
| 2031-2035                    | 418,623             | 69,487            | 488,110             |
| 2036                         | 93,504              | 2,943             | 96,448              |
|                              | <b>\$ 1,131,501</b> | <b>\$ 433,045</b> | <b>\$ 1,564,545</b> |

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**7. Net Patient Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and write offs have not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during the years ended December 31, 2020 or 2019.

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

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

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

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

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

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

**Net Patient Service Revenue**

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| Patient service revenue (net of contractual adjustments and discounts): |                     |                     |
| Medicare  | \$ 164,451          | \$ 170,429          |
| Medicaid  | 330,137             | 652,490             |
| Other third-party payors  | 1,078,849           | 550,425             |
| Patients  | 533,353             | 432,008             |
|   | <b>2,106,790</b>    | <b>1,805,353</b>    |
| Less:   |                     |                     |
| Charity care  | 213,454             | 150,566             |
| Provision for bad debts   | 18,319              | 20,868              |
| <b>Net patient service revenue</b>                                      | <b>\$ 1,875,017</b> | <b>\$ 1,633,919</b> |

**Grant County Public Hospital District No. 5**  
**doing business as Mattawa Community Medical Clinic**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

The District's policy is not to pursue collection of amounts determined to qualify for sliding fee discount. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing this care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for patients that qualify for sliding fee discounts for the years ended December 31, 2020 and 2019, were approximately \$232,000 and \$171,000, respectively. Funds received from grants to subsidize sliding fee services and access to healthcare for the years ended December 31, 2020 and 2019, were approximately \$1,498,000 and \$1,017,000 respectively.

Effective January 1, 2009, the state of Washington (the State) changed its methodology for calculating the Medicaid reimbursement rates paid on eligible rural health clinic and federal qualified health clinic fee-for-service and managed care encounters. Included in the estimate prepared by management are assumptions regarding allowable encounters and the fee-for-service equivalents for those encounters. These estimates are subject to change based on the State's final reconciliation and settlement of 2020. The difference between the final settlements and the amounts estimated by management could be material; any difference will be recorded when the final settlement becomes known. Settlements for 2010 through 2013 are now fully resolved; 2014 through 2019 have been calculated by the state and are pending payment by the District. For the year ended December 31, 2020, the Organization calculated an estimated settlement of \$300,100 due to the State for differences in rates paid on eligible fee-for-services activity billed from January 1, 2014 through December 31, 2020. The District operated as a rural health clinic through September 2012, upon which time they began operating as an FQHC look-alike, and became an FQHC effective August 2015. June 26, 2019 the District was notified by the State of Washington of a zero-balance liability for the years 2011 to 2013 which resulted in a net decrease in liability of \$454,000. The district elected to recognize the transaction in 2019 instead of restating prior years financial statements. The current year recognition is consistent with historical practice of restating the liability balance for positive or negative adjustments in the year of final reconciliation, updated estimation and or settlement. Because the current year settlement involves a major settlement amount which impacts operating revenue (the offset for the liability) in a positive direction, the Statement of Revenue, Expenses, and Changes in Net Position was modified to report the transaction on a separate line to provide the user with clarity and increased understanding.

Net patient service revenue increased by approximately \$241,000 and \$725,000 in 2020 and 2019, respectively, due to differences between original estimates and final or revised settlements related to the Medicaid managed care reconciliation estimates; increased pharmacy and dental services.

**8. Defined Contribution Plan:**

The District has a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The name of the plan is the Mattawa Community Medical Clinic Retirement Plan (the Plan). The Plan is administered by Mass Mutual Retirement Services and is available to all employees immediately upon employment. Employees can elect to defer a percentage of their compensation each year. The District has the ability to amend the Plan. The District did not contribute to the Plan during 2020 and 2019. Employee contributions were approximately \$41,050 and \$32,700 in

2020 and 2019, respectively.

## **9. Risk Management and Contingencies:**

***Risk management*** – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

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

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

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

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

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

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

***340B Drug Pricing Program*** – The District participates in the 340B Drug Pricing Program (340B Program) enabling the District to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA conducts routine audits of these programs at health care organizations and is increasing its compliance monitoring processes. Laws



and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is possible that material changes to financial statement amounts related to the 340B program could occur.

#### 10. Concentration Risks:

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

The mix of receivables from patients was as follows:

|                          | 2020 | 2019 |
|--------------------------|------|------|
| Medicare                 | 1%   | 4%   |
| Medicaid                 | 25%  | 26%  |
| Other third-party payors | 59%  | 43%  |
| Patients                 | 15%  | 27%  |
|                          | 100% | 100% |

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

#### 11. Going Concern:

The District showed consecutive losses since the year ended December 31, 2002, through the year ended December 31, 2016. Beginning with 2016 and continuing through 2019 the operating loss declined steadily with positive net operating income reported in 2019 and 2020. The balance owed to the County on registered warrants declined significantly in each year. In 2019, the County asserted in a letter to the District that registered warrants will be capped at \$500,000 beginning in 2020. The District has stayed significantly below this threshold in 2019 and 2020 and is no longer on registered warrant. Any amounts due to the County are based on current bill payment transactions.

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

As of January 2018, the District implemented behavioral health as a new program through a contracted psychiatric nurse practitioner two days per week. During 2019 and psychiatric nurse practitioner was hired to provide direct services four days per week at the clinic. The program staff is funded through additional federal grant. In September 2018, the district began providing dental care to its patients. The District hired a dentist with Federally Qualified Health Center experience to establish the program and serve as the dental director. In December 2018 the district also established its own onsite pharmacy to serve the community. The establishment of these programs contributed significantly to the increase in net patient care revenue since 2019 and will provide continued financial stability. The District's first priority is to persist in improving operating efficiency, while continuing to provide quality care.

## 12. COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenues for the District's services were impacted by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that have caused many people to remain at home and forced the transition to telehealth services due to temporary closure of certain facilities.

While some of these policies have been eased, some restrictions remain in place, some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases as a result of changes in the variant of the virus.

The District's pandemic response plan continues to evolve as the pandemic remains a growing factor. The District has taken multiple steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse impact on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Such factors may include, but are not limited to, government-imposed or recommended closures, declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the impact of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an impact on access to liquidity and the inputs and assumptions used in significant accounting estimates, including allowances for patient receivables, and potential impairments of long-lived assets.

**Paycheck Protection Program (PPP) Loan** – In June 2020, the Organization applied for and received a Paycheck Protection Program (PPP) loan as authorized in the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) totaling \$373,280. The loan is forgivable based on actual payroll costs and certain other costs paid or incurred during an eight or twenty-four week covered period. The District's twenty-four week covered period ended in December 2020. The application for forgiveness is due within ten months from the end of the covered period and no principal or interest payments are required until the forgiveness amount is remitted to the lender by the Small Business Administration. The application was submitted and the full amount of the loan was forgiven, effective January 26, 2021.

**CARES Act Funding and Provider Relief Funds** –Between April and May of 2020, the District received approximately \$328,000 in Provider Relief Funding as authorized by the CARES Act. This distribution from the Provider Relief Fund is not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. The District recognized approximately \$219,000 in revenues related to this program in the year ended December 31, 2020.

The Organization also received approximately \$726,000 in supplemental funding through the Community Health Center grant program from the U.S. Department of Health and Human Services, which was one-time funding made available to support testing, prevention and treatment of COVID-19.

**Grant County Public Hospital District No. 5**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |           | Passed through<br>to Subrecipients | Note |
|--|--|----------------|-----------------------|---------------------------------|-----------------------|-----------|------------------------------------|------|
|  |  |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total     |                                    |      |
| FOOD AND NUTRITION SERVICE;<br>AGRICULTURE, DEPARTMENT OF<br>(via State of Washington Dept. of<br>Health)<br><b>SNAP Cluster</b> | WIC Special Supplemental<br>Nutrition Program for<br>Women, Infants, and<br>Children   | 10.557         | N20802                | 38,402                          | -                     | 38,402    | -                                  |      |
|  | State Administrative<br>Matching Grants for the<br>Supplemental Nutrition<br>Assistance Program  | 10.561         | N21445                | 21,568                          | -                     | 21,568    | -                                  |      |
|  | Total SNAP Cluster:  |                |                       | 21,568                          | -                     | 21,568    | -                                  |      |
|  | COVID 19 - Health Center<br>Program (Community<br>Health Centers, Migrant<br>Health Centers, Health<br>Care for the Homeless,<br>and Public Housing<br>Primary Care) | 93.224         | H8DCS36754            | -                               | 430,192               | 430,192   | -                                  |      |
| HEALTH RESOURCES AND<br>SERVICES ADMINISTRATION,<br>HEALTH AND HUMAN SERVICES,<br>DEPARTMENT OF                                  | COVID 19 - Health Center<br>Program (Community<br>Health Centers, Migrant<br>Health Centers, Health<br>Care for the Homeless,<br>and Public Housing<br>Primary Care) | 93.224         | H8CCS35020            | -                               | 52,331                | 52,331    | -                                  |      |
|  | Total CFDA 93.224:   |                |                       | -                               | 482,523               | 482,523   | -                                  |      |
| HEALTH RESOURCES AND<br>SERVICES ADMINISTRATION,<br>HEALTH AND HUMAN SERVICES,<br>DEPARTMENT OF                                  | Grants for New and<br>Expanded Services under<br>the Health Center<br>Program  | 93.527         | H80CS29030            | -                               | 1,015,909             | 1,015,909 | -                                  |      |
|  | Total Health Center Program Cluster:   |                |                       | -                               | 1,498,432             | 1,498,432 | -                                  |      |
|  | Total Federal Awards Expended:   |                |                       | 59,970                          | 1,498,432             | 1,558,402 | -                                  |      |

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Grant County Public Hospital District No. 5 doing business as Mattawa Community Medical Clinic (the District) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

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

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



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## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Mattawa Community Medical Clinic January 1, 2020 through December 31, 2020

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

|   |   |
|---|---|
| <b>Finding ref number:</b><br>2020-001  | <b>Finding caption:</b><br>The District's internal controls over accounting and financial statement preparation were inadequate for ensuring accurate and timely reporting. |
| <b>Name, address, and telephone of District contact person:</b><br>Dana Fox<br>210 Government Road<br>Mattawa, WA 99349<br>(509) 932-4499   |   |
| <b>Corrective action the auditee plans to take in response to the finding:</b><br><b>I. Submitting Timely Reports:</b><br>1. District will maintain access information for the state portal with an expectation that the District will not be locked out in the future, and will research options for timely submission should system fail again.<br>2. Maintain Finance Department's calendar of reporting deadlines.<br><b>II. Evaluating Financial Reporting Responsibility of District and Clinic</b><br>1. Engaged services of an attorney for the purpose of evaluating the legal structure to communicate a clear description of the District and the Clinic roles, responsibilities, and financial activities. Recommendations shall determine:<br>a. Financial reporting<br>b. Updated Co-Applicant Agreement which documents the arrangement and limitations of each entity's role, responsibilities, and financial activities, if necessary. |   |

**III. Accounts Payable Oversight**

- 1. Weekly, the CEO approves an accounts payable report submitted by the clerk that includes the current payment batch with the relevant invoices and supporting documents attached for approval before payments are issued.*
- 2. Accounts payable clerk uploads payable report including the invoices and supporting documents for review by finance team oversight.*

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

- I. 7/15/2022
- II. 9/30/2022
- III. Completed

## ABOUT THE STATE AUDITOR'S OFFICE

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