



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

February 2, 2023

Board of Commissioners
Cascade Medical Center
Leavenworth, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of Cascade Medical Center for the fiscal year ended December 31, 2021 and 2020. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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**Chelan County
Public Hospital District No. 1
doing business as
Cascade Medical Center**

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Table of Contents

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-3
<i>BASIC FINANCIAL STATEMENTS:</i>	
Statements of net position	4-5
Statements of revenues, expenses, and changes in net position	6
Statements of cash flows	7-8
Notes to basic financial statements	9-34
<i>REQUIRED SUPPLEMENTARY INFORMATION:</i>	
Schedule of changes in the District's total OPEB liability and related ratios	35
Schedule of proportionate share of the net pension asset Law Enforcement Officers' and Fire Fighters' retirement system plan 2	36
Schedule of employer contributions Law Enforcement Officers' and Fire Fighters' retirement system plan 2	37
<i>SINGLE AUDIT:</i>	
<i>AUDITORS' SECTION:</i>	
<i>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</i>	38-39
<i>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</i>	40-42
Schedule of audit findings and questions costs	43-44
<i>AUDITEE'S SECTION:</i>	
Schedule of expenditures of federal awards	45
Summary schedule of prior audit findings	46



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Leavenworth, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District) as of and for the years ended December 31, 2021 and 2020, 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 financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' 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 auditors' report that includes our opinion. 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, including omissions, 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- 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.

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the District's total other postemployment benefits (OPEB) liability and related ratios, schedule of proportionate share of the net pension asset Law Enforcement Officers' and Fire Fighters' retirement system plan 2, schedule of employer contributions Law Enforcement Officers' and Fire Fighters' retirement system plan 2 on pages 35-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 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 for the year ended December 31, 2021. We issued a similar report for the year ended December 31, 2020, dated May 27, 2021, which has not been included with the 2021 financial and compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 9, 2022

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Statements of Net Position
December 31, 2021 and 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
<i>Current assets</i>		
Cash and cash equivalents	\$ 10,920,806	\$ 10,843,675
Receivables:		
Patient accounts	3,091,078	2,910,650
Taxes	12,942	13,463
Estimated third-party payor settlements	1,072,626	550,205
Other	39,826	175,272
Taxes restricted as to use	300,713	422,759
Inventories	251,400	267,193
Prepaid expenses	166,476	152,713
Cash and cash equivalents restricted as to use	681,291	777,789
Total current assets	16,537,158	16,113,719
<i>Noncurrent assets</i>		
Cash and cash equivalents limited as to use	1,292,985	1,291,696
Law enforcement officers' and fire fighters' benefits net pension asset	1,274,192	456,560
Capital assets, net of accumulated depreciation	11,406,874	10,067,023
Total noncurrent assets	13,974,051	11,815,279
Total assets	30,511,209	27,928,998
<i>Deferred outflows of resources</i>		
Financing costs	343,695	364,927
Law enforcement officers' and fire fighters' benefits	104,633	100,925
Other postemployment benefits	492,632	490,222
Total deferred outflows of resources	940,960	956,074
Total assets and deferred outflows of resources	\$ 31,452,169	\$ 28,885,072

See accompanying notes to basic financial statements.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Statements of Net Position (Continued)
December 31, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
<i>Current liabilities</i>		
Accounts payable	\$ 400,346	\$ 454,245
Accrued compensation and related liabilities	1,195,917	1,266,981
Accrued interest payable	28,959	30,430
Electronic health records incentive payback	741,000	741,000
Unearned CARES Act Provider Relief Fund	-	2,770,489
Current maturities of long-term debt obligations	686,660	641,165
Current maturities of capital lease obligation	-	37,759
Total current liabilities	3,052,882	5,942,069
<i>Noncurrent liabilities</i>		
Long-term debt obligations, less current maturities	10,509,407	11,201,681
Capital lease obligation, less current maturities	-	37,757
Other postemployment benefits liability	1,681,574	1,489,968
Paycheck Protection Program loan	-	2,200,300
Total noncurrent liabilities	12,190,981	14,929,706
Total liabilities	15,243,863	20,871,775
<i>Deferred inflows of resources</i>		
Law enforcement officers' and fire fighters' benefits	837,992	271,685
Other postemployment benefits	1,460,603	1,558,602
Total deferred inflows of resources	2,298,595	1,830,287
<i>Net position</i>		
Net investment in capital assets	525,543	(1,516,842)
Restricted for debt service and emergency medical services	926,154	1,175,382
Unrestricted	12,458,014	6,524,470
Total net position	13,909,711	6,183,010
Total liabilities, deferred inflows of resources, and net position	\$ 31,452,169	\$ 28,885,072

See accompanying notes to basic financial statements.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Operating revenues</i>		
Net patient service revenue	\$ 21,779,389	\$ 18,712,730
Grants	232,319	361,077
Other	134,141	115,800
Total operating revenues	22,145,849	19,189,607
<i>Operating expenses</i>		
Salaries and wages	12,462,498	11,941,627
Employee benefits	2,335,950	2,519,717
Other postemployment benefits	93,173	52,899
Depreciation and amortization	1,546,532	1,392,446
Supplies	1,745,221	1,689,031
Professional fees and other purchased services	2,067,767	1,562,768
Utilities	252,749	233,865
Insurance	222,143	201,798
Leases and rentals	179,516	110,749
Repairs and maintenance	188,715	307,574
Other	1,456,770	952,230
Total operating expenses	22,551,034	20,964,704
<i>Operating loss</i>	(405,185)	(1,775,097)
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations and emergency medical services	2,177,263	2,171,418
Taxation for bond principal and interest	594,313	572,485
Investment income	11,720	30,734
Gain on sale of assets	35,805	17,686
Interest expense	(421,555)	(415,138)
CARES Act Provider Relief Fund	3,159,901	1,163,353
COVID-19 grants	-	447,664
Contributions and other nonoperating revenues	2,000	2,993
Total nonoperating revenues, net	5,559,447	3,991,195
Excess of revenues over expenses before capital grants and contributions and gain on forgiveness of Paycheck Protection Program loan	5,154,262	2,216,098
<i>Capital grants and contributions</i>	347,303	38,830
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,225,136	-
Change in net position	7,726,701	2,254,928
Net position, beginning of year	6,183,010	3,928,082
Net position, end of year	\$ 13,909,711	\$ 6,183,010

See accompanying notes to basic financial statements.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 21,076,540	\$ 19,128,916
Other receipts	269,587	49,542
Receipts from grants	232,319	361,077
Payments to and on behalf of employees	(15,126,521)	(14,690,353)
Payments to suppliers and contractors	(6,164,750)	(5,041,408)
Net cash provided by (used in) operating activities	287,175	(192,226)
<i>Cash flows from noncapital financing activities</i>		
Taxation for maintenance and operations and emergency medical services	2,177,784	2,176,322
CARES Act Provider Relief Fund	389,412	3,933,842
Paycheck Protection Program loan	-	2,200,300
COVID-19 grants	-	447,664
Contributions	2,000	2,993
Net cash provided by noncapital financing activities	2,569,196	8,761,121
<i>Cash flows from capital and related financing activities</i>		
Taxation for bond principal and interest	716,359	204,047
Capital grants and contributions	347,303	38,830
Purchase of capital assets	(2,850,578)	(813,793)
Principal paid on long-term debt and capital lease obligations	(716,682)	(638,465)
Interest paid on long-term debt and capital lease obligations	(382,571)	(399,601)
Net cash used in capital and related financing activities	(2,886,169)	(1,608,982)
<i>Cash flows from investing activities, investment income</i>	11,720	30,734
Net increase (decrease) in cash and cash equivalents	(18,078)	6,990,647
Cash and cash equivalents, beginning of year	12,913,160	5,922,513
Cash and cash equivalents, end of year	\$ 12,895,082	\$ 12,913,160

See accompanying notes to basic financial statements.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 10,920,806	\$ 10,843,675
Cash and cash equivalents restricted as to use	681,291	777,789
<i>Noncurrent assets</i>		
Cash and cash equivalents limited as to use	1,292,985	1,291,696
Total cash and cash equivalents	\$ 12,895,082	\$ 12,913,160
<i>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>		
<i>Operating loss</i>	\$ (405,185)	\$ (1,775,097)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	1,546,532	1,392,446
Provision for bad debts	776,270	762,458
(Increase) decrease in assets:		
Patient accounts receivable	(956,698)	(538,766)
Estimated third-party payor settlements	(522,421)	192,494
Other receivables	135,446	(66,258)
Inventories	15,793	(30,658)
Prepaid expenses	(13,763)	10,727
Law enforcement officers' and fire fighters' benefits net pension asset	(817,632)	79,986
Deferred outflows of resources, law enforcement officers' and fire fighters' benefits	(3,708)	(38,579)
Deferred outflows of resources, other postemployment benefits	(2,410)	(230,132)
Increase (decrease) in liabilities:		
Accounts payable	(53,899)	36,538
Accrued compensation and related liabilities	(71,064)	(145,700)
Other postemployment benefits liability	191,606	446,976
Deferred inflows of resources, law enforcement officers' and fire fighters' benefits	566,307	(120,850)
Deferred inflows of resources, other postemployment benefits	(97,999)	(167,811)
Net cash provided by (used in) operating activities	\$ 287,175	\$ (192,226)

Noncash Investing, Capital, and Financing Activities

During the year ended December 31, 2020, the District entered into a capital lease obligation in the amount of \$113,275 to finance the purchase of a LIFEPAK defibrillator.

See accompanying notes to basic financial statements.

**Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements
Years Ended December 31, 2021 and 2020**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District) owns and operates Cascade Medical Center, a nine-bed acute care hospital and rural health clinic. The District provides healthcare services to residents in Chelan County, Washington (the County). Services provided by the District include acute care hospital, emergency room, ambulance, physicians' clinic, and other related ancillary procedures (lab, X-ray, physical therapy, etc.) associated with those services.

The District, governed by a five-member Board of Commissioners (the Board) elected to six-year terms, operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from payment of federal income tax. The District is not reported as a component unit of Chelan County, Washington.

Related organization – The Cascade Medical Center Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized in 1992 for the primary purpose of soliciting charitable donations and raising funds on behalf of, and in support to, the District. Although the District does not control the Foundation, the majority of resources or income that the Foundation holds and invests is used for the benefit of the District. The Foundation provided contributions of approximately \$183,000 and \$500 to the District in 2021 and 2020, respectively. The Foundation is not reported as a component unit of the District.

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

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

Cash and cash equivalents – All cash receipts are deposited directly with the Chelan County Treasurer (County Treasurer) who acts as the District Treasurer. Warrants are issued by the District against the cash placed with the County Treasurer. The County Treasurer invests cash in interest-bearing investments at the discretion of the District. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates of less than 90 days as cash and cash equivalents.

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

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

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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

b. Summary of Significant Accounting Policies (continued)

Assets restricted or limited as to use – Assets limited as to use consist of amounts restricted for bond principal and interest payments and amounts set aside by the Board for designated purposes over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Taxes receivable restricted as to use – Such assets are set aside for repayment of bond principal and interest as required by bond indenture.

Capital assets – Capital assets are defined by the District as assets with initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals that do not increase the useful life of the asset are accounted for as expenses when incurred. Capital assets are recorded at historical cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Capital assets acquired under capital leases are amortized over the shorter of the estimated useful life or the length of the lease.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from expenses in excess of revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful service lives:

Land improvements	10 to 20 years
Buildings and improvements	5 to 40 years
Fixed equipment	5 to 20 years
Major movable equipment	3 to 20 years

Compensated absences – The District's policy is to permit employees to accumulate earned but unused paid time off (PTO). All PTO is accrued when incurred at varying rates depending on the employee's position and contract. Unused PTO is accumulated and paid to the employee when the employee terminates employment with the District.

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

**Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

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

b. Summary of Significant Accounting Policies (continued)

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

Law enforcement officers’ and fire fighters’ (LEOFF) pension – For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans, and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Grants and contributions – From time to time, the District receives federal and state grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted 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.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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

b. Summary of Significant Accounting Policies (continued)

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District's year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Subsequent events – Subsequent events have been reviewed through June 9, 2022, the date on which the financial statements were available to be issued.

2. Bank Deposits:

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be refunded to it. The District does not have a deposit policy for custodial credit risk.

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

The *Revised Code of Washington*, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments.

Amounts held in the Washington State Local Government Investment Pool at December 31, 2021 and 2020, were \$11,652,741 and \$9,574,960, respectively.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

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

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

	2021	2020
Receivables from patients and their insurance carriers	\$ 2,218,206	\$ 1,662,811
Receivables from Medicare	1,161,165	1,401,527
Receivables from Medicaid	463,650	349,037
Total patient accounts receivable	3,843,021	3,413,375
Less allowance for uncollectible accounts	751,943	502,725
Patient accounts receivable, net	\$ 3,091,078	\$ 2,910,650

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

4. Assets Restricted or Limited as to Use:

The composition of assets limited as to use is set forth in the following table:

	2021	2020
<i>Current assets</i>		
<i>Cash and cash equivalents</i>		
Internally designated by Board, cash and cash equivalents:		
Third-party payor cost settlements	\$ 160,444	\$ 160,284
Memorial fund	123,777	123,654
Emergency medical services	72,342	163,987
Restricted by bond agreement for bond principal and interest payment, cash and cash equivalents	324,728	329,864
Total cash equivalents	681,291	777,789
Taxes receivable restricted for debt service and emergency medical services	300,713	422,759
Total current assets limited as to use	982,004	1,200,548
<i>Noncurrent assets</i>		
Internally designated by Board for capital additions and replacements	1,292,985	1,291,696
Total assets limited as to use	\$ 2,274,989	\$ 2,492,244

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

5. Capital Assets:

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

	Balance December 31, 2020		Additions	Retirements	Transfers	Balance December 31, 2021	
<i>Capital assets not being depreciated</i>							
Land	\$	522,015	\$	-	\$	-	\$ 522,015
Construction in progress		7,072		739,867		-	746,939
Total capital assets not being depreciated		529,087		739,867		-	1,268,954
<i>Capital assets being depreciated</i>							
Land improvements		1,367,240		-		-	1,367,240
Buildings and improvements		10,502,549		-		-	10,502,549
Fixed equipment		8,476,426		206,261		-	8,682,687
Major movable equipment		5,012,114		1,954,832		(27,716)	6,939,230
Total capital assets being depreciated		25,358,329		2,161,093		(27,716)	27,491,706
<i>Less accumulated depreciation for</i>							
Land improvements		(803,484)		(87,066)		-	(890,550)
Buildings and improvements		(6,162,623)		(526,287)		-	(6,688,910)
Fixed equipment		(5,234,347)		(518,788)		-	(5,753,135)
Major movable equipment		(3,619,939)		(414,391)		13,139	(4,021,191)
Total accumulated depreciation		(15,820,393)		(1,546,532)		13,139	(17,353,786)
Total capital assets being depreciated, net		9,537,936		614,561		(14,577)	10,137,920
Capital assets, net	\$	10,067,023	\$	1,354,428	\$	(14,577)	\$ 11,406,874

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

5. Capital Assets (continued):

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

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 522,015	\$ -	\$ -	\$ -	\$ 522,015
Construction in progress	86,498	-	-	(79,426)	7,072
Total capital assets not being depreciated	608,513	-	-	(79,426)	529,087
<i>Capital assets being depreciated</i>					
Land improvements	1,367,240	-	-	-	1,367,240
Buildings and improvements	10,384,322	110,843	-	7,384	10,502,549
Fixed equipment	8,419,530	56,896	-	-	8,476,426
Major movable equipment	4,731,514	777,015	(568,457)	72,042	5,012,114
Total capital assets being depreciated	24,902,606	944,754	(568,457)	79,426	25,358,329
<i>Less accumulated depreciation for</i>					
Land improvements	(716,417)	(87,067)	-	-	(803,484)
Buildings and improvements	(5,639,620)	(523,003)	-	-	(6,162,623)
Fixed equipment	(4,721,682)	(512,665)	-	-	(5,234,347)
Major movable equipment	(3,918,685)	(269,711)	568,457	-	(3,619,939)
Total accumulated depreciation	(14,996,404)	(1,392,446)	568,457	-	(15,820,393)
Total capital assets being depreciated, net	9,906,202	(447,692)	-	79,426	9,537,936
Capital assets, net	\$ 10,514,715	\$ (447,692)	\$ -	\$ -	\$ 10,067,023

At December 31, 2021, construction in progress included the costs for the District's electronic medical records system, a mobile clinic, and an ambulance, which had additional estimated costs of \$175,000, \$0-, and \$7,000, respectively, and were completed by June 1, 2022.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

6. Long-term Debt and Capital Lease Obligations:

A schedule of changes in long-term debt and capital lease obligations follows:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
<i>Long-term debt</i>					
Parking lot note	\$ 227,514	\$ -	\$ (6,166)	\$ 221,348	\$ 6,660
2017 UTGO bonds	6,455,000	-	(435,000)	6,020,000	205,000
2017 LTGO bonds	5,060,000	-	(200,000)	4,860,000	475,000
2017 LTGO bond premium	100,332	-	(5,613)	94,719	-
Total long-term debt	11,842,846	-	(646,779)	11,196,067	686,660
Capital lease obligations	75,516	-	(75,516)	-	-
Total long-term debt and capital lease obligations	\$ 11,918,362	\$ -	\$ (722,295)	\$ 11,196,067	\$ 686,660
	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
<i>Long-term debt</i>					
Parking lot note	\$ 233,220	\$ -	\$ (5,706)	\$ 227,514	\$ 6,165
2017 UTGO bonds	6,855,000	-	(400,000)	6,455,000	435,000
2017 LTGO bonds	5,255,000	-	(195,000)	5,060,000	200,000
2017 LTGO bond premium	105,945	-	(5,613)	100,332	-
Total long-term debt	12,449,165	-	(606,319)	11,842,846	641,165
Capital lease obligations	-	113,275	(37,759)	75,516	37,759
Total long-term debt and capital lease obligations	\$ 12,449,165	\$ 113,275	\$ (644,078)	\$ 11,918,362	\$ 678,924

The terms and due dates of the District's long-term debt and other noncurrent liabilities follow:

- **Unlimited Tax General Obligation (UTGO) Bonds, Series 2017** – The District issued UTGO bonds, dated August 15, 2017, with a face amount of \$7,889,000. The bonds were issued to advance refund the District's UTGO bonds dated December 6, 2005, and November 1, 2006. The UTGO bonds are general obligations of the District and are secured by an irrevocable pledge by the District to levy and collect taxes each year sufficient to pay the bond principal and interest payments when due. Through 2030, annual principal installments ranging from \$475,000 to \$884,000 are required, plus semiannual interest payments payable June 1 and December 1, at 2.68 percent. Scheduled maturities on and after June 1, 2027, are subject to redemption at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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

- **Limited Tax General Obligation (LTGO) Bonds, Series 2017** – The District issued LTGO bonds, dated November 16, 2017, with a face amount of \$5,475,000. The bonds were issued at a premium, with net proceeds of \$5,590,981. The Bonds were issued to advance refund the District's LTGO bonds dated April 1, 2009. The LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a maintenance and operations tax upon the taxable property of the District. Interest is payable June 1 and December 1, at rates that range from 2.00 percent to 4.00 percent. The bonds mature in principal installments of \$205,000 in 2022 ranging to \$380,000 through 2038.
- **Note payable** – Parking lot note payable dated October 31, 2009, in the original amount of \$274,300. The debt service is payable in varying monthly principal installments through 2038, plus interest at a rate of 7.75 percent.
- **Capital lease obligation** – The capital lease obligation was due in yearly installments at the amount of \$37,759. The District paid the capital lease obligation in full during the year ended December 31, 2021.

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

Years Ending December 31,	UTGO Bonds Payable	
	Principal	Interest
2022	\$ 475,000	\$ 161,336
2023	524,000	148,606
2024	561,000	134,563
2025	612,000	119,528
2026	662,000	103,126
2027-2030	3,186,000	220,993
	\$ 6,020,000	\$ 888,152

Years Ending December 31,	Other Long-term Debt	
	Principal	Interest
2022	\$ 211,660	\$ 203,172
2023	222,100	194,444
2024	232,670	185,274
2025	238,286	175,658
2026	248,952	165,792
2027-2031	1,421,770	663,950
2032-2036	1,718,535	360,110
2037-2038	787,375	45,791
	\$ 5,081,348	\$ 1,994,191

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

7. Paycheck Protection Program Loan:

In May 2020, the District was granted a loan from North Cascades Bank in the aggregate amount of \$2,200,300 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The District applied for PPP loan forgiveness during 2021, and was granted forgiveness on June 16, 2021, in the amount of \$2,225,136. This forgiveness includes principle on the PPP loan of \$2,200,300 and interest accrued thereon of \$24,836. The loan forgiveness is recorded as a gain on forgiveness of Paycheck Protection Program note payable in the statement of revenues, expenses, and changes in net position for the year ended December 31, 2021.

8. Net Patient Service Revenue:

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

Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources is as follows:

	2021	2020
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 11,644,218	\$ 10,868,267
Medicaid	2,956,507	1,918,056
Other third-party payors	6,787,899	5,518,089
Patients	859,469	1,029,923
340B contract pharmacy	582,065	533,862
	22,830,158	19,868,197
Less:		
Charity care	274,499	393,009
Provision for bad debts	776,270	762,458
Net patient service revenue	\$ 21,779,389	\$ 18,712,730

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

8. Net Patient Service Revenue (continued):

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

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

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

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. Net patient service revenue decreased by approximately \$300 and \$58,000 for the years ended December 31, 2021 and 2020, respectively, due to differences between original estimates and final settlements.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients were \$201,000 and \$290,000 for the years ended December 31, 2021 and 2020, respectively.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

9. Electronic Health Records Incentive Payments:

In 2017, Medicaid began an audit of its incentive payments to hospitals. The District has accrued a liability for \$741,000, the amount due to Medicaid. The overpayment was a result of a miscalculation by the state of Washington during calculation of the determination of the Medicaid incentive payments.

10. 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. Property taxes are considered delinquent after October 31. Assessed values are established by the County Assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

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

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

For 2021, the District's regular tax levy was approximately \$0.180 per \$1,000 on a total assessed valuation of \$3,400,152,044 for a total regular levy of \$612,196. The District's Emergency Medical Services (EMS) tax levy was \$0.500 per \$1,000 on a total assessed valuation of \$3,400,152,044, for a total EMS tax levy of \$1,700,076. The District's bond levy was approximately \$0.178 per \$1,000 on a total assessed valuation of \$3,367,926,276, for a total bond levy of \$600,324.

For 2020, the District's regular tax levy was approximately \$0.192 per \$1,000 on a total assessed valuation of \$3,105,874,056 for a total regular levy of \$595,341. The District's Emergency Medical Services (EMS) tax levy was \$0.34 per \$1,000 on a total assessed valuation of \$3,105,874,056, for a total EMS tax levy of \$1,193,083. The District's bond levy was approximately \$0.187 per \$1,000 on a total assessed valuation of \$3,075,747,158, for a total bond levy of \$575,534.

In 2020, the EMS was under levied by \$382,893, which will be paid to the District over three years, beginning with the year ended December 31, 2021. The amount will be paid via an increased EMS levy rate. The balance of the EMS receivable was \$255,262 as of December 31, 2021.

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

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

11. Retirement Plans:

The District sponsors the Cascade Medical Center 403(b) Retirement Plan (the 403(b) Plan). The plan is a deferred compensation retirement plan administered by the District. After employees have completed one year of employment, the District makes a contribution match to the 403(b) Plan of up to 3 percent of the employees' gross pay. Employees are 100 percent vested in the contributions they make, and they become fully vested in employer contributions after two years (50 percent per year). Employees make contributions to the 403(b) Plan. District contributions and interest forfeited by employees who leave employment before two years of service are used to reduce the District's current period contribution requirement. Employee contributions to the 403(b) Plan were approximately \$532,000 and \$512,000 for the years ended December 31, 2021 and 2020, respectively. Employer pension contributions were approximately \$177,000 and \$172,000 for the years ended December 31, 2021 and 2020, respectively. Benefit terms including contribution requirements are established by and may be amended by the District.

The District also sponsors the Cascade Medical Center Lincoln Retirement 457(b) Governmental Deferred Compensation Plan (the 457(b) Plan). The plan is a deferred compensation retirement plan administered by the District. Employees make contributions to the 457(b) Plan. Employees are 100 percent vested in the contributions they make. Employee contributions to the 457(b) Plan were approximately \$188,000 and \$155,000 for the years ended December 31, 2021 and 2020, respectively. Benefit terms including contribution requirements are established by and may be amended by the District.

12. Other Postemployment Benefits (OPEB):

Plan description – The District provides healthcare programs for employees through the Public Employees Benefits Board (PEBB). Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through the PEBB. The PEBB was created within the Washington State Health Care Authority (HCA) to administer medical, dental, and life insurance plans for public employees and retirees. The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee. No assets are accumulated in a qualifying trust. The District can cease providing healthcare through the PEBB with a 60-day notice.

The other postemployment benefits liability would be eliminated at this time without any cash obligation.

Benefits provided – The District's retirees may elect coverage through state health and dental insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The healthcare premiums for active employees, which are paid by the District during the employees' working careers, subsidize the health and dental plans of retirees.

The subsidies provided by PEBB include the following:

- Explicit medical subsidy for post-65 retirees and spouses
- Implicit medical subsidy
- Implicit dental subsidy

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

12. Other Postemployment Benefits (OPEB) (continued):

Benefits provided (continued) – The explicit subsidies are monthly amounts paid for post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50 percent of the monthly premiums. The retirees and spouses currently pay the premiums minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees covered by the benefit terms – At December 31, 2021 and 2020, the following employees were covered by the benefit terms:

Plan Members	2021	2020
Inactive employees or beneficiaries currently receiving benefit payments	0	2
Active plan members	116	118
Total members	116	120

Total OPEB liability – The District’s total OPEB liability of \$1,681,574 and \$1,489,968 were measured as of December 31, 2020 and 2019, respectively, and were determined by an actuarial valuation as of July 1, 2020 and July 1, 2018, respectively.

Actuarial assumptions and other inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation – 2.75 percent

Salary increases – 3.50 percent average, including inflation

Healthcare cost trend rates – As follows:

<u>Year</u>	<u>Pre-65</u>	<u>Post-65</u> <u>Claims</u>	<u>Post-65</u> <u>Contributions</u>
2021	6.10%	5.70%	8.70%
2022	5.40%	8.90%	13.40%
2023	5.20%	8.90%	12.20%
2024	5.10%	5.10%	5.30%
2025	5.10%	5.10%	5.30%
2035	5.20%	5.10%	5.20%
2045	5.30%	5.20%	5.30%
2055	5.10%	5.10%	5.20%
2065	5.00%	4.90%	4.90%
2075	4.30%	4.30%	4.30%
2085	4.30%	4.30%	4.30%
2095	4.30%	4.30%	4.30%
2096+	4.30%	4.30%	4.30%

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

12. Other Postemployment Benefits (OPEB) (continued):

Actuarial assumptions and other inputs (continued) – The discount rate was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years.

Mortality rates were based on the 2020 actuarial valuation for Washington State Public Employees' Retirement System (PERS), adjusted for Cascade Medical Center. For all healthy members, the PubG.H-2010 base mortality table (with generational mortality adjustments using the long-term MP-2017 generational improvement scale), was utilized.

The actuarial assumptions used in the December 31, 2021, valuation are based on the results of an actuarial experience study for the period January 1, 2020 through December 31, 2020.

Changes in the total OPEB liability:

	Total OPEB Liability 2021	Total OPEB Liability 2020
Balance, at beginning of year	\$ 1,489,968	\$ 1,042,992
Service cost	165,749	121,787
Interest	45,314	47,715
Differences between expected and actual experience	(76,101)	-
Changes of assumptions or other inputs	60,513	279,472
Benefit payments	(3,869)	(1,998)
Net changes	191,606	446,976
Balance, at end of year	\$ 1,681,574	\$ 1,489,968

Changes of assumptions and other inputs reflect changes in the discount rate from 2.74 percent to 2.12 percent for year ended December 31, 2021, and 4.10 percent to 2.74 percent for year ended December 31, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District, as well as what the District's liability would be if it were calculated using a discount rate that is one percentage point lower (1.12 percent) or one percentage point higher (3.12 percent) than the current discount rate:

	2021		
	1% Decrease 1.12	Discount Rate 2.12	1% Increase 3.12
Total OPEB liability	\$ 2,124,039	\$ 1,681,574	\$ 1,343,009
	2020		
	1% Decrease 1.74	Discount Rate 2.74	1% Increase 3.74
Total OPEB liability	\$ 1,884,318	\$ 1,489,968	\$ 1,190,000

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

12. Other Postemployment Benefits (OPEB) (continued):

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the District, as well as what the District’s liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

2021			
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,260,921	\$ 1,681,574	\$ 2,274,793

2020			
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,118,342	\$ 1,489,968	\$ 2,013,757

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended December 31, 2021, the District recognized OPEB expense of \$93,173. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	\$ 492,632	\$ (1,460,603)

2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	\$ 490,222	\$ (1,558,602)

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

12. Other Postemployment Benefits (OPEB) (continued):

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB (continued) – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

Years Ending December 31,	
2021	\$ (117,890)
2022	(117,890)
2023	(117,890)
2024	(117,890)
2025	(117,890)
Thereafter	(378,521)

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2:

Plan description – The District contributes to the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF Plan 2), a cost-sharing, multiple-employer public employee defined benefit retirement plan. The state Legislature establishes and amends laws pertaining to the creation and administration of the LEOFF.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the LEOFF. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

The DRS CAFR may also be downloaded from the DRS website at www.drs.wa.gov.

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

Employee membership data related to the Plan, as of June 30, 2021, the date of the latest valuation, is as follows:

Plan Members	2021	2020
Inactive employees or beneficiaries currently receiving benefit payments	0	0
Active plan members	16	10
Total members	16	10

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2
(continued):

Benefits provided – LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2 percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at age 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF Plan 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the consumer price index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Contributions – The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund LEOFF Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF Plan 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF Plan 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44 percent in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

Actual Contribution Rates	Employer	Employee
State and local governments	5.15%	8.59%
Administrative fee	0.18%	0.00%
Total	5.33%	8.59%

The District's actual contributions to the plan were \$49,108 for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ended June 30, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the District as its proportionate share of this amount is \$31,680.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2
(continued):

Actuarial assumptions – The total pension liability (TPL) for the LEOFF was determined using the actuarial valuation as of June 30, 2020, with the results rolled forward to June 30, 2021, using the following actuarial assumptions applied to all prior periods included in the measurement.

- **Inflation:** 2.75 percent total economic inflation; 3.50 percent salary inflation
- **Salary increases:** In addition to the base 3.50 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4 percent

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*. Additions assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

Discount rate – The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-term expected rate of return – The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2
(continued):

Estimated rates of return by asset class – Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	100%	

Sensitivity of the net pension asset – The table below presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.4 percent, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.4 percent) or one percentage point higher (8.4 percent) than the current rate.

	1% Decrease	Current	1% Increase
	(6.4%)	Discount Rate	(8.4%)
LEOFF 2	\$ (803,506)	\$ (1,274,192)	\$ (1,659,589)

Pension plan fiduciary net position – Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2
(continued):

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2021, the District reported a total pension asset of \$1,274,192 for its proportionate share of the net pension asset.

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the District were as follows:

	LEOFF 2 (Asset)	
	2021	2020
Employer's proportionate share	\$ (1,274,192)	\$ (456,560)
State's proportionate share of the net pension asset associated with the employer	(821,993)	(291,936)
Total	\$ (2,096,185)	\$ (748,496)

At June 30, the District's proportionate share of the collective net pension assets was as follows:

	Proportionate Share 2021	Proportionate Share 2020
LEOFF 2	0.021937%	0.022382%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension asset was measured as of June 30, 2021, and the actuarial valuation date on which the total pension asset is based was as of June 30, 2020, with update procedures used to roll forward the total pension asset to the measurement date.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2
(continued):

Pension expense – For the year ended December 31, 2021, the District recognized pension expense related to LEOFF of \$174,252.

Deferred outflows of resources and deferred inflows of resources – At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,792	\$ (6,734)
Net difference between projected and actual investment earnings on pension plan investments	-	(607,544)
Changes in assumptions	551	(60,600)
Changes in proportion and differences between contributions and proportionate share of contributions	18,629	(163,114)
Contributions subsequent to the measurement date	27,661	-
Total	\$ 104,633	\$ (837,992)

2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,173	\$ (8,098)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,089)
Changes in assumptions	661	(70,696)
Changes in proportion and differences between contributions and proportionate share of contributions	12,048	(187,802)
Contributions subsequent to the measurement date	25,043	-
Total	\$ 100,925	\$ (271,685)

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

13. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2
(continued):

Deferred outflows of resources and deferred inflows of resources (continued) – Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as pension expense in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	
2021	\$ (184,936)
2022	(173,886)
2023	(165,536)
2024	(183,516)
2025	(25,083)
Thereafter	(28,063)

14. Risk Management and Contingencies:

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

The current policy provides \$1,000,000 per claim of primary and comprehensive coverage with a \$5,000,000 annual aggregate limit, plus \$2,000,000 of excess coverage with a \$2,000,000 annual aggregate limit. There is not a deductible on these policies, nor are there any significant coinsurance clauses.

No liability has been accrued for future coverage of incidents that may have occurred in 2021 or in prior years. 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.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

14. Risk Management and Contingencies (continued):

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

Risk transfer pools – The District has a self-insured unemployment plan for its employees and participates in the Public Hospital District Unemployment Compensation Fund, a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual unemployment claims, maintenance of reserves, and administrative expenses. During 2021 and 2020, the District recognized \$25,149 and \$-0-, respectively, of dividends from the Public Hospital Unemployment Compensation Fund, which was offset against unemployment expense. Unemployment expense, net of dividends received, was approximately \$13,000 and \$16,000 in 2021 and 2020, respectively.

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

15. Concentrations of Risk:

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

	2021	2020
Medicare	34 %	40 %
Medicaid	10	15
Other third-party payors	33	25
Patients	23	20
	100 %	100 %

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

Collective bargaining unit – The District has two agreements with labor unions. Effective February 6, 2022, the District renewed the collective bargaining agreement with the Washington State Nurses Association. The contract is effective through September 30, 2023. As of December 31, 2021 and 2020, approximately 30 percent and 11 percent, respectively, of the District's employees were represented by this union under the collective bargaining agreement. Effective April 1, 2021, the District renewed the collective bargaining agreement with the International Association of Fire Fighters for the District's paramedics. The contract is effective through March 31, 2024. As of December 31, 2021 and 2020, approximately 10 percent and 13 percent, respectively, of the District's employees were represented by this union under the collective bargaining agreement.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

16. CARES Act Provider Relief Fund:

In April 2020, the District received \$3,933,842 of funding from the CARES Act Provider Relief Fund. The District also received additional funding of \$389,412 during the year ended December 31, 2021. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2021 and 2020, the District recognized \$3,159,901 and \$1,163,353, respectively, of grant revenue from these funds. The District had \$-0- and \$2,770,489 remaining funds as of December 31, 2021 and 2020, respectively, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Years Ended December 31, 2021 and 2020

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 165,749	\$ 121,787	\$ 273,557	\$ 238,466	\$ 244,526
Interest on total OPEB liability	45,314	47,715	91,180	80,035	68,087
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(76,101)	-	118,746	-	-
Effect of assumptions changes or other inputs	60,513	279,472	(1,815,512)	182,318	(95,824)
Expected benefit payments	(3,869)	(1,998)	(3,997)	(1,264)	-
Net change in total OPEB liability	191,606	446,976	(1,336,026)	499,555	216,789
Total OPEB liability – beginning	1,489,968	1,042,992	2,379,018	1,879,463	1,662,674
Total OPEB liability – ending	<u>\$ 1,681,574</u>	<u>\$ 1,489,968</u>	<u>\$ 1,042,992</u>	<u>\$ 2,379,018</u>	<u>\$ 1,879,463</u>
 Covered-employee payroll	 \$ 11,181,912	 \$ 9,613,141	 \$ 8,964,480	 \$ 7,762,193	 \$ 7,171,084
 Total OPEB liability as a percentage of covered-employee payroll	 <u>15%</u>	 <u>15%</u>	 <u>12%</u>	 <u>31%</u>	 <u>26%</u>

Notes to Schedule:

Changes in benefit terms – There are no changes in benefit terms.

Changes in assumptions – Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each period. Beginning with fiscal year ended December 31, 2021, the Medicare contribution trend reflects the January 1, 2021, Medicare explicit subsidy increase to \$183 per month. The exclusion of the excise tax for high cost or "Cadillac" health plans and the Health Insurer fee from 2021 onwards was first reflected in fiscal year ended December 31, 2020, since the December 20, 2019, enactment of H.R. 1865 is between the December 31, 2018 and December 31, 2019, measurement date.

*GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Proportionate Share of the Net Pension Asset
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
Years Ended December 31, 2021 and 2020

	2021	2020	2019	2018
Employer's proportion of the net pension asset	0.0219370%	0.0223820%	0.0231600%	0.0210900%
Employer's proportionate share of the net pension asset	\$ 1,274,192	\$ 456,560	\$ 536,546	\$ 428,173
State's proportionate share of the net pension asset associated with the employer	821,993	291,936	351,366	277,234
Total	\$ 2,096,185	\$ 748,496	\$ 887,912	\$ 705,407
Covered payroll	\$ 956,453	\$ 888,262	\$ 826,695	\$ 811,960
Employer's proportionate share of the net pension asset as a percentage of covered payroll	133.22%	51.40%	64.90%	52.73%
Plan fiduciary net position as a percentage of the total pension asset	142.00%	116.00%	119.00%	118.50%

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of December 31 of each year reported.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
Years Ended December 31, 2021 and 2020

	2021	2020	2019	2018
Statutorily or contractually required contributions	\$ 49,108	\$ 47,503	\$ 44,500	\$ 44,091
Contributions in relation to the statutorily or contractually required contributions	(49,108)	(47,503)	(44,500)	(44,091)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 956,453	\$ 888,262	\$ 826,695	\$ 811,960
Contributions as a percentage of covered payroll	5%	5%	5%	5%

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of December 31 of each year reported.

SINGLE AUDIT

AUDITORS' SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Leavenworth, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 9, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 9, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Leavenworth, Washington

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Chelan County Hospital District No. 1 doing business as Cascade Medical Center's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major 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 (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' 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 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 the major federal program. Our audit does not provide a legal determination of 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 program.

Auditors' 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 material noncompliance when it exists. The risk of not detecting 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 judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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.

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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance 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 were not 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.

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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 9, 2022

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2021

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	<i>Unmodified</i>	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Other noncompliance to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards:

Internal control over major federal program:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Type of auditors' report issued on compliance for major federal program:	<i>Unmodified</i>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major federal program:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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**Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2021**

Section II – Financial Statement Findings

No matters were reported for 2021. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for 2021. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
United States Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distinction	93.498		COVID-19 \$	3,913,059
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19	100,000
COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured	93.461		COVID-19	81,411
Total United States Department of Health and Human Services Direct Programs				4,094,470
Total expenditures of federal awards				\$ 4,094,470

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District) under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the June 30, 2021, Provider Relief Fund report. The information in this Schedule is presented in accordance with the 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). 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 not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021**

The audit for the year ended December 31, 2020, reported no audit findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2019, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2021.