



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

February 6, 2023

Board of Commissioners  
Columbia Basin Hospital  
Ephrata, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Columbia Basin Hospital for the fiscal years ended December 31, 2020 and 2019. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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**Grant County  
Public Hospital District No. 3  
doing business as  
Columbia Basin Hospital**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2020 and 2019



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Grant County Public Hospital District No. 3  
doing business as Columbia Basin Hospital  
Ephrata, Washington

### Report on the Financial Statements

We have audited the accompanying financial statements of Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as described in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2020 and 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2020. We issued a similar report for the year ended December 31, 2019, dated April 23, 2020, which has not been included with the 2020 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  
December 6, 2021

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 7,874,722	\$ 1,718,653
Patient trust fund	9,880	4,781
Receivables:		
Patient accounts	2,333,105	1,748,029
Grants	-	77,000
Taxes	22,221	24,204
Estimated third-party payor settlements	1,201,763	335,000
Other	52,357	83,946
Inventories	136,292	118,561
Prepaid expenses	1,674,857	2,233,578
Cash and cash equivalents limited as to use	244,049	138,823
Taxes receivable limited as to use	44,344	42,263
Total current assets	<b>13,593,590</b>	<b>6,524,838</b>
<i>Noncurrent assets</i>		
Cash and cash equivalents limited as to use	2,434,801	3,271,121
Capital assets, net of accumulated depreciation	17,813,333	18,918,930
Total noncurrent assets	<b>20,248,134</b>	<b>22,190,051</b>
<b>Total assets</b>	<b>\$ 33,841,724</b>	<b>\$ 28,714,889</b>

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Statements of Net Position (Continued)**  
**December 31, 2020 and 2019**

<b>LIABILITIES AND NET POSITION</b>	<b>2020</b>	<b>2019</b>
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 842,778	\$ 783,311
Current maturities of capital lease obligations	43,422	20,959
Accounts payable	519,746	515,710
Estimated third-party payor settlements	-	304,709
Medicare accelerated payments payable	711,462	-
Accrued compensation and related liabilities	453,445	827,903
Accrued vacation	534,489	422,534
Accrued interest payable	66,134	66,164
Patient trust fund	9,880	4,781
Total current liabilities	3,181,356	2,946,071
<i>Noncurrent liabilities</i>		
Accounts payable - capital	-	87,685
Paycheck Protection Program loan	1,925,100	-
Long-term debt, less current maturities	15,086,957	15,927,520
Capital lease obligations, less current maturities	166,225	95,527
Total noncurrent liabilities	17,178,282	16,110,732
Total liabilities	20,359,638	19,056,803
<i>Net position</i>		
Net investment in capital assets	1,607,817	1,937,764
Restricted for debt service	288,393	181,086
Unrestricted	11,585,876	7,539,236
Total net position	13,482,086	9,658,086
<b>Total liabilities and net position</b>	<b>\$ 33,841,724</b>	<b>\$ 28,714,889</b>

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<i>Operating revenues</i>		
Net patient service revenue	\$ 17,632,415	\$ 17,589,620
340B contract pharmacies	912,015	840,805
Grants	468,425	442,214
Other	66,559	130,784
Total operating revenues	19,079,414	19,003,423
<i>Operating expenses</i>		
Salaries and wages	8,981,753	8,522,562
Employee benefits	2,151,696	2,220,023
Professional fees	3,408,429	3,795,721
Supplies	1,510,845	1,203,587
Utilities	186,247	185,720
Purchased services	1,985,956	1,315,544
Insurance	183,198	170,331
Leases and rentals	47,869	50,076
Depreciation and amortization	1,852,016	1,806,654
Other	275,883	263,610
Total operating expenses	20,583,892	19,533,828
Operating loss	(1,504,478)	(530,405)
<i>Nonoperating revenues (expenses)</i>		
Taxation for bond principal and interest	1,066,613	895,563
Taxation for maintenance and operations	520,854	522,113
Interest income	40,095	116,057
Interest expense	(782,256)	(811,652)
CARES Act Provider Relief Fund	3,975,596	-
COVID-19 grants	454,037	-
Donations	38,412	38,068
Total nonoperating revenues, net	5,313,351	760,149
Excess of revenues over expenses before capital grants and contributions	3,808,873	229,744
Capital grants and contributions	15,127	21,648
Change in net position	3,824,000	251,392
Net position, beginning of year	9,658,086	9,406,694
Net position, end of year	\$ 13,482,086	\$ 9,658,086

See accompanying notes to basic financial statements.



**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 15,875,867	\$ 17,492,552
Receipts from 340B contract pharmacies	943,604	899,926
Receipts from grants	545,425	365,214
Other receipts	66,559	145,884
Payments to and on behalf of employees	(11,395,952)	(10,496,135)
Payments to suppliers and contractors	(7,053,401)	(8,953,404)
Electronic health records payback	-	(128,985)
Net cash used in operating activities	(1,017,898)	(674,948)
<i>Cash flows from noncapital financing activities</i>		
Taxation for maintenance and operations	522,837	527,536
Receipts of CARES Act Provider Relief Fund	3,975,596	-
Receipts of COVID-19 grants	454,037	-
Proceeds from the Paycheck Protection Program loan	1,925,100	-
Proceeds from Medicare accelerated payments	711,462	-
Noncapital contributions	38,412	38,068
Net cash provided by noncapital financing activities	7,627,444	565,604
<i>Cash flows from capital and related financing activities</i>		
Taxation for bond principal and interest	1,064,532	903,880
Grants received for capital assets	15,127	21,648
Principal paid on long-term debt and capital lease obligations	(811,212)	(766,028)
Interest paid on long-term debt and capital lease obligations	(782,286)	(813,906)
Purchase of capital assets	(710,827)	(443,678)
Net cash used in capital and related financing activities	(1,224,666)	(1,098,084)
<i>Cash flows from investing activities</i>		
Interest received	40,095	116,057
Net increase (decrease) in cash and cash equivalents	5,424,975	(1,091,371)
Cash and cash equivalents, beginning of year	5,128,597	6,219,968
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,553,572</b>	<b>\$ 5,128,597</b>

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b><i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i></b>		
Cash and cash equivalents in current assets	\$ 7,874,722	\$ 1,718,653
Cash and cash equivalents limited as to use in current assets	244,049	138,823
Cash and cash equivalents limited as to use in noncurrent assets	2,434,801	3,271,121
<b>Total cash and cash equivalents</b>	<b>\$ 10,553,572</b>	<b>\$ 5,128,597</b>
<b><i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</i></b>		
Operating loss	\$ (1,504,478)	\$ (530,405)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>		
Depreciation and amortization	1,852,016	1,806,654
Provision for bad debts	657,598	677,034
(Increase) decrease in assets:		
Patient accounts receivable	(1,242,674)	(675,050)
Estimated third-party payor settlements	(866,763)	35,995
Other receivables	31,589	74,221
Grants receivable	77,000	(77,000)
Inventories	(17,731)	(10,809)
Prepaid expenses	558,721	(2,062,904)
Increase (decrease) in liabilities:		
Accounts payable	4,036	104,898
Estimated third-party payor settlements	(304,709)	(135,047)
Electronic health records incentive payable	-	(128,985)
Accrued compensation and related liabilities	(374,458)	193,874
Accrued vacation	111,955	52,576
<b>Net cash used in operating activities</b>	<b>\$ (1,017,898)</b>	<b>\$ (674,948)</b>

***Noncash Capital Financing Activities***

During the year ended December 31, 2020, the District entered into a capital lease obligation in the amount of \$123,277 to finance the purchase of a pharmacy Pyxis machine.

*See accompanying notes to basic financial statements.*

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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

**a. Reporting Entity**

Grant County Public Hospital District No. 3 (the District) owns and operates Columbia Basin Hospital, a 25-bed hospital and a 12-bed nursing home; Columbia Basin Family Medicine, a Medicare certified rural health clinic; and Garden Oasis Assisted Living, a 32-unit assisted living facility. The District provides healthcare services to patients in the Ephrata, Washington, area. The services provided include acute care hospital, long-term nursing care, assisted living, emergency room, physicians' clinic, and the related ancillary procedures (laboratory, imaging, therapy, etc.) associated with those services.

The District 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 Board of Commissioners consists of five community members elected to six-year terms.

***Related organization*** – The Columbia Basin Hospital Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the District. The Foundation provided contributions to the District during 2020 and 2019 for patient care and for the purchase of equipment in the amounts of \$15,127 and \$21,648, respectively. The Foundation is not material to the District and is therefore not reported as a component unit of the District.

Complete financial statements for the Foundation can be obtained from the Columbia Basin Hospital Foundation, 200 Nat Washington Way, Ephrata, Washington 98823.

**b. Summary of Significant Accounting Policies**

***Use of estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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*** – Electronic funds transfer (EFT) cash receipts are deposited to the District's depository account at a bank. Periodically, such cash is transferred to the Grant County Treasurer (Treasurer) who acts as the District Treasurer. Non-EFT cash receipts are deposited directly to the Treasurer. Warrants are issued by the District against the cash placed with the Treasurer. The 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.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

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

***Inventories*** – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the District’s operation.

***Prepaid expenses*** – Prepaid expenses primarily represent implementation costs of a cloud-based electronic health records system. These costs are being amortized over the term of the service agreement, which is five years.

***Assets limited as to use*** – Assets limited as to use primarily include certain cash and other assets limited under debt indentures and by the Board of Commissioners for future bond principal and interest payments; for future acquisition and replacement of property, buildings, and equipment; and to maintain care for eligible patients.

***Capital assets*** – The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses as incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method. Assets under capital lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense. Useful lives have been estimated as follows:

Land improvements	8 to 20 years
Buildings and improvements	2 to 40 years
Equipment	2 to 25 years

***Compensated absences*** – The District’s policy is to permit employees to accumulate earned but unused paid time off and holiday benefits up to a maximum of one and a half times their annual accrual. All paid time off and holiday benefits are accrued and expensed when earned. The District permits full-time and part-time employees to accumulate paid sick leave benefits based on hours worked in accordance with state law. All sick leave is expensed when taken. The District permits employees to accumulate extended illness benefits up to a maximum of 720 hours. In 2018, the District stopped the extended illness benefits accrual and grandfathered the extended illness benefits balances, allowing immediate access (per state sick leave policy). The District also began providing paid sick leave, in accordance with Washington State law, to all nonbenefited employees (per diems, temps). The District also provides employer paid short-term disability.

***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*.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

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

***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.

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

***Subsequent events*** – Subsequent events have been reviewed through December 6, 2021, the date on which the financial statements were available to be issued.

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

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**2. Bank Deposits and Investments:**

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 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 invested in the Grant County Investment Pool at December 31, 2020 and 2019, were \$10,034,898 and \$5,107,759, respectively. The Grant County Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

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

**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 did not change 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.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

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

	<b>2020</b>	<b>2019</b>
Receivables from patients and their insurance carriers	\$ 1,509,337	\$ 1,308,526
Receivables from Medicare	872,126	532,770
Receivables from Medicaid	540,642	375,733
Total patient accounts receivable	2,922,105	2,217,029
Less allowance for uncollectible accounts	589,000	469,000
<b>Patient accounts receivable, net</b>	<b>\$ 2,333,105</b>	<b>\$ 1,748,029</b>

**4. Assets Limited as to Use:**

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

	<b>2020</b>	<b>2019</b>
<i>Current assets</i>		
Under bond agreement for bond principal and interest payment:		
Cash and cash equivalents	\$ 244,049	\$ 138,823
Taxes receivable	44,344	42,263
Total current assets	288,393	181,086
<i>Noncurrent assets</i>		
Internally designated by Board for capital additions and replacements, cash and cash equivalents	2,434,801	3,271,121
Total noncurrent assets	2,434,801	3,271,121
<b>Total assets limited as to use</b>	<b>\$ 2,723,194</b>	<b>\$ 3,452,207</b>

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**5. Capital Assets:**

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	\$ 99,457	\$ -	\$ -	\$ -	\$ 99,457
Construction in progress	1,784	-	-	-	1,784
Total capital assets not being depreciated	101,241	-	-	-	101,241
<i>Capital assets being depreciated</i>					
Land improvements	186,843	-	-	-	186,843
Buildings and improvements	24,474,026	-	-	-	24,474,026
Equipment	8,521,736	746,419	(47,560)	-	9,220,595
Total capital assets being depreciated	33,182,605	746,419	(47,560)	-	33,881,464
<i>Less accumulated depreciation for</i>					
Land improvements	122,914	10,615	-	-	133,529
Buildings and improvements	10,146,167	1,046,387	-	-	11,192,554
Equipment	4,095,835	795,014	(47,560)	-	4,843,289
Total accumulated depreciation	14,364,916	1,852,016	(47,560)	-	16,169,372
<i>Total capital assets being depreciated, net</i>					
	18,817,689	(1,105,597)	-	-	17,712,092
<b>Capital assets, net</b>	<b>\$ 18,918,930</b>	<b>\$ (1,105,597)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,813,333</b>



**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**5. Capital Assets (continued):**

	Balance December 31, 2018		Additions	Retirements	Transfers	Balance December 31, 2019				
<i>Capital assets not being depreciated</i>										
Land	\$	99,457	\$	-	\$	-	\$	99,457		
Construction in progress		369,591		612		-	(368,419)	1,784		
Total capital assets not being depreciated		469,048		612		-	(368,419)	101,241		
<i>Capital assets being depreciated</i>										
Land improvements		186,843		-		-		186,843		
Buildings and improvements		24,474,026		-		-		24,474,026		
Equipment		8,272,318		444,836		(563,837)	368,419	8,521,736		
Total capital assets being depreciated		32,933,187		444,836		(563,837)	368,419	33,182,605		
<i>Less accumulated depreciation for</i>										
Land improvements		112,277		10,637		-	-	122,914		
Buildings and improvements		9,069,119		1,077,048		-	-	10,146,167		
Equipment		3,938,933		718,969		(562,067)	-	4,095,835		
Total accumulated depreciation		13,120,329		1,806,654		(562,067)	-	14,364,916		
<i>Total capital assets being depreciated, net</i>										
		19,812,858		(1,361,818)		(1,770)	368,419	18,817,689		
Capital assets, net	\$	20,281,906	\$	(1,361,206)	\$	(1,770)	\$	-	\$	18,918,930

**6. Lines of Credit:**

The District has open lines of credit in the amount of \$3,000,000 and \$250,000 with Banner Bank and American Express, respectively. These lines of credit had an outstanding balance of \$-0- at December 31, 2020 and 2019.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**7. Long-term Debt and Capital Lease Obligations:**

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

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
<i>Long-term debt</i>					
2008 LTGO Bonds	\$ 480,000	\$ -	\$ (229,000)	\$ 251,000	\$ 251,000
2012 UTGO Bonds	12,035,000	-	(315,000)	11,720,000	345,000
2012 UTGO Bonds Premium	403,216	-	(22,823)	380,393	22,824
2017 LTGO Bonds	3,792,615	-	(214,273)	3,578,342	223,954
Total long-term debt	16,710,831	-	(781,096)	15,929,735	842,778
<i>Capital lease obligations</i>					
Pharmacy Pyxis machine	1,935	123,277	(12,909)	112,303	22,819
Chemistry Analyzer	114,551	-	(17,207)	97,344	20,603
Total capital lease obligations	116,486	123,277	(30,116)	209,647	43,422
<b>Total long-term debt and capital lease obligations</b>	<b>\$ 16,827,317</b>	<b>\$ 123,277</b>	<b>\$ (811,212)</b>	<b>\$ 16,139,382</b>	<b>\$ 886,200</b>
	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
<i>Long-term debt</i>					
2008 LTGO Bonds	\$ 693,000	\$ -	\$ (213,000)	\$ 480,000	\$ 229,000
2012 UTGO Bonds	12,320,000	-	(285,000)	12,035,000	315,000
2012 UTGO Bonds Premium	426,040	-	(22,824)	403,216	22,824
2017 LTGO Bonds	4,000,000	-	(207,385)	3,792,615	216,487
Total long-term debt	17,439,040	-	(728,209)	16,710,831	783,311
<i>Capital lease obligations</i>					
Pharmacy Pyxis machine	24,465	-	(22,530)	1,935	1,935
Chemistry Analyzer	129,840	-	(15,289)	114,551	19,024
Total capital lease obligations	154,305	-	(37,819)	116,486	20,959
<b>Total long-term debt and capital lease obligations</b>	<b>\$ 17,593,345</b>	<b>\$ -</b>	<b>\$ (766,028)</b>	<b>\$ 16,827,317</b>	<b>\$ 804,270</b>

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

The terms and due dates of the District's long-term debt and capital lease obligations follows:

- **Limited tax general obligation bonds** – The District issued limited tax general obligation bonds on September 24, 2008, in the original amount of \$2,156,000 to refund the District's limited tax general obligation bonds dated August 1, 1998. The 1998 limited tax general obligation bonds were issued to refinance a short-term construction line of credit and to cover additional costs to complete a construction project. The 2008 limited tax general obligation bonds are payable semiannually on December 1 and June 1, in principal installments of \$251,000 in 2021; plus semiannual interest at 4.05 percent payable June 1 and December 1 of each year.

The District issued limited tax general obligation bonds on August 31, 2017, in the original amount not to exceed \$4,000,000 to finance construction and renovation of the District's facilities. The 2017 limited tax general obligation bonds are payable semiannually on December 1 and June 1, in principal installments from \$223,954 in 2021 to \$335,541 in 2033; with semiannual interest at 3.42 percent payable June 1 and December 1 of each year.

All limited tax general obligation 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 within the District.

- **Unlimited tax general obligation bonds** – The District issued unlimited tax general obligation bonds on August 30, 2012, in the original amount of \$13,000,000 to finance renovation and construction of an addition to the District's facilities. The 2012 unlimited tax general obligation bonds are payable annually on December 1, in varying principal installments from \$345,000 in 2021 to \$1,250,000 in 2036; plus annual interest at 5.5 percent payable December 1 of each year.

The District is required to levy and collect sufficient taxes each year to pay the bond principal and interest payments due. The unlimited tax general obligation bonds are direct and general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District. The voters of the District approved the 2012 bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

- **Capital lease obligations** – The pharmacy Pyxis machine lease was renewed in July 2020 for five years with an original capitalized cost of \$123,277. The lease payments are due monthly in the amount of \$2,326, including imputed interest at 5 percent, collateralized by the pharmacy Pyxis machine.

The Chemistry Analyzer lease was entered into during 2018 for six years with an original capitalized cost of \$129,840. The lease payments are due monthly in the amount of \$2,292 through January 2025, including imputed interest at 8 percent, collateralized by the Chemistry Analyzer.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

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

The capital lease obligation is reflected in the District's assets and liabilities. The assets acquired under the capital leases had a capitalized cost of \$253,117 as of December 31, 2020 and \$231,784 as of December 31, 2019, and accumulated amortization of \$65,608 and \$123,390 as of December 31, 2020 and 2019, respectively. Amortization expense is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

Scheduled principal and interest repayments on the District's 2012 unlimited tax general obligation bonds are as follows:

<b>Years Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 345,000	\$ 631,063	\$ 976,063
2022	385,000	613,813	998,813
2023	425,000	594,563	1,019,563
2024	465,000	572,250	1,037,250
2025	510,000	547,838	1,057,838
2026 to 2030	3,340,000	2,284,013	5,624,013
2031 to 2035	5,000,000	1,211,375	6,211,375
2036	1,250,000	68,750	1,318,750
	<b>\$ 11,720,000</b>	<b>\$ 6,523,665</b>	<b>\$ 18,243,665</b>

Scheduled principal and interest repayments on the District's 2008 and 2017 limited tax general obligation bonds and capital lease obligations are as follows:

<b>Years Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 518,376	\$ 139,948	\$ 658,324
2022	277,979	121,731	399,710
2023	289,049	110,662	399,711
2024	300,611	99,099	399,710
2025	274,361	88,022	362,383
2026 to 2030	1,421,410	300,063	1,721,473
2031 to 2033	957,203	56,890	1,014,093
	<b>\$ 4,038,989</b>	<b>\$ 916,415</b>	<b>\$ 4,955,404</b>

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**8. Paycheck Protection Program Note Payable:**

In May 2020, the District was granted a loan from Banner Bank in the aggregate amount of \$1,925,100, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted March 27, 2020.

The PPP loan, which was in the form of a note dated May 16, 2020, matures on April 1, 2025, and bears interest at a rate of 1 percent per annum, payable monthly commencing in October 2021. The note may be prepaid by the District at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after February 15, 2020. The District intends to use the entire loan amount for qualifying expenses. 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 believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

The District applied for PPP loan forgiveness in August 2020, and full forgiveness was approved in May 2021. The loan forgiveness will be recorded as a Gain on Forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position for year ending December 31, 2021.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**9. 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. The District has not changed its charity care or uninsured discount policies during 2020 or 2019. 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:

	<b>2020</b>	<b>2019</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 8,995,562	\$ 8,256,839
Medicaid	4,025,070	4,854,132
Patients	1,806,994	1,547,784
Other third-party payors	2,743,848	3,134,966
ProShare	718,539	472,933
	<b>18,290,013</b>	<b>18,266,654</b>
Less:		
Provision for bad debts	<b>657,598</b>	<b>677,034</b>
<b>Net patient service revenue</b>	<b>\$ 17,632,415</b>	<b>\$ 17,589,620</b>

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

- *Medicare* – The hospital has been designated a critical access hospital and the clinic a rural health clinic by Medicare and they are reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The Medicare program's administrative procedures preclude final determination of amounts due to the District for such services until three years after the District's cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**9. Net Patient Service Revenue (continued):**

- *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 of the District. Reimbursement for inpatient and outpatient services rendered to Medicaid program beneficiaries is reimbursed on a cost basis as defined by the state of Washington. Medicaid swing-bed and nursing home services are reimbursed on a prospectively set rate per day. Rural health clinic services are reimbursed on a prospective rate per visit. Nonrural health clinic physician services are reimbursed on a fee schedule.
- *Other* – The hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital 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 increased by approximately \$512,000 in the year ended December 31, 2020, and decreased by approximately \$69,000 in the year ended December 31, 2019, due to differences between original estimates and final settlements.

The District received approximately \$719,000 and \$473,000 of Nursing Facility Proportionate Share Program (ProShare) funds during 2020 and 2019, respectively, from the state of Washington to provide services to Medicaid eligible nursing home patients.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2020 and 2019, were \$-0- and \$35,000, respectively. The District did not receive any gifts or grants to subsidize charity care services during 2020 or 2019.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**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. Assessed values are established by the County Assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

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

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

The District's regular tax levy was \$0.48 per \$1,000 in 2020 and \$0.49 per \$1,000 in 2019, on a total assessed valuation of \$1,059,086,477 and \$1,024,882,175 in 2020 and 2019, respectively, for a total regular levy of \$511,184 and \$500,449 in 2020 and 2019, respectively.

The District's bond levy was \$1.03 per \$1,000 in 2020 and \$0.88 per \$1,000 in 2019 on a total assessed valuation of \$1,050,089,437 and \$1,016,097,225 in 2020 and 2019, respectively, for a total bond levy of \$1,077,229 and \$893,213 in 2020 and 2019, respectively.

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.

**11. Defined Contribution Plan:**

The District provides pension benefits for all of its full-time employees who have attained age 20 and who have completed one year of service through the Columbia Basin Hospital Employees' Pension Plan (the defined contribution plan), under Section 401(a) of the Internal Revenue Code. This plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the District to the plan plus investment earnings.

Employees are eligible to participate after one year of service if they agree to contribute at least 3 percent of their compensation to the deferred compensation plan. The District contributes to the defined contribution fund a discretionary percentage of employee contributions to the deferred compensation plan.

The District also pays an additional 0.1 percent of compensation for each year of service. The contributions are vested at 20 percent after one year of service with graduated increases until vesting reaches 100 percent after five years of service. District contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the District's current period contribution requirement. The District made the required contributions of approximately \$331,000 and \$294,000 for 2020 and 2019, respectively, to the defined contribution plan.

Benefit terms including contribution requirements are established and may be amended by the District.



**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**11. Defined Contribution Plan (continued):**

In addition to the defined contribution plan described above, the District provides the Columbia Basin Hospital Tax-Deferred Compensation Plan (the deferred compensation plan) to substantially all employees under Section 457 of the Internal Revenue Code. The deferred compensation plan is funded solely from employee contributions. This plan is administered by the District. Plan participants contributed approximately \$446,000 and \$404,000 in 2020 and 2019, respectively, to the deferred compensation plan.

Benefit terms including contribution requirements are established and may be amended by the District.

**12. Contingencies:**

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

***Risk transfer pools*** – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust and for workers' compensation benefits through the Public Hospital District Workers' Compensation Trust. Both trusts are risk transfer pools administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation and unemployment claims, maintenance of reserves, and administrative expenses. The District recognized a \$-0- and \$17,886 dividend from the Public Hospital District Unemployment Compensation Trust in 2020 and 2019, respectively, which was offset against unemployment expense. The District also recognized a \$48,146 and \$64,371 dividend from the Public Hospital District Workers' Compensation Trust in 2020 and 2019, respectively, which was offset against workers' compensation expense. Premiums are charged to operations as they are incurred. Total unemployment insurance expense prior to the dividend was \$27,651 and \$30,767 in 2020 and 2019, respectively, and total workers' compensation benefits expense prior to the dividend was \$121,005 and \$153,523 in 2020 and 2019, respectively.

***Medical malpractice claims*** – The District has its professional liability insurance coverage with Physician's Insurance. The policy provides protection on a "claims-made" basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the District purchases insurance to cover prior acts. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. There is no deductible on this policy.

The District also has excess professional liability insurance with Physician's Insurance on a "claims-made" basis. The excess malpractice insurance provides \$4,000,000 per claim of primary coverage with an annual aggregate limit of \$4,000,000. There is no deductible on this policy.

No liability has been accrued for future coverage for acts occurring in this or prior years. It is possible that claims may exceed coverage obtained in any given year.

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**12. Contingencies (continued):**

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

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

**13. CARES Act Provider Relief Fund:**

In April 2020, the District received and recognized \$3,975,596 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus.

**14. Commitment:**

The District's agreement for the cloud-based electronic health records system includes a provision for annual support services. The following is a schedule of future annual payments under the agreement:

<b>Years Ending December 31,</b>	<b>Total</b>
2021	\$ 283,327
2022	291,827
2023	300,582
2024	309,600
<b>Total commitment</b>	<b>\$ 1,185,336</b>

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**15. Concentration of Risk:**

*Accounts receivable* – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Grant County.

The mix of receivables from patients was as follows:

	2020	2019
Medicare	24 %	19 %
Medicaid	28	23
Other third-party payors	24	30
Patients	24	28
	100 %	100 %

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

**16. COVID-19 Pandemic:**

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

The District received government grants as described in Note 13 above, as well as obtaining the PPP loan described in Note 8 above, as part of the federal government's response to the pandemic.

The District has also received Medicare accelerated payments of \$711,462 in June 2020. The Medicare accelerated payments were paid in full during 2021 with no interest.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2021, which will increase Medicare reimbursement by 2 percent.

In addition to accepting funding from the CARES Act Provider Relief Fund and the other funding sources noted above, the hospital resumed the services that had been temporarily suspended. However, the pandemic continues to affect the District's operations. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.



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  
Grant County Public Hospital District No. 3  
doing business as Columbia Basin Hospital  
Ephrata, 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 Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 6, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
December 6, 2021

**Grant County Public Hospital District No. 3**  
**doing business as Columbia Basin Hospital**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2020**

**2020-001 Auditor Detected Adjusting Journal Entries**

<i>Criteria</i>	There should not be any significant or material auditor detected adjusting journal entries made during the audit process.
	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness
<i>Condition</i>	<p>During the audit process, numerous adjusting journal entries were both prepared by management and proposed by the audit team to achieve accurate account balances. Significant adjustments were made to correct balances related to cash, the allowance for contractual adjustments and uncollectible accounts, capital assets and accumulated depreciation, accounts payable, 340B Program receivables, and accrued paid time off (PTO).</p> <p>Certain accounts were not reconciled prior to our audit, which caused a significant delay in completion of the audit.</p>
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	Account reconciliations are not completed or reviewed timely and are not being executed with the precision necessary to identify significant adjustments in a timely manner.
<i>Effect</i>	Financial reports depended on by management, the Board of Commissioners, and external financial statement users may not present an accurate image of the District's financial position.
<i>Recommendation</i>	All statement of net position accounts should be reconciled and adjusted as necessary each month.
<i>Management's Response</i>	It is acknowledged that the year-end reconciliation of accounts resulted in the need to have adjusting journal entries to reflect accurate account balances. Corrective action will be taken to properly reconcile accounts on a monthly basis. In addition, a less manual accounting system is being implemented in 2022 to support the transition to a more automated workflow. This will make the month-end journal entry process much more efficient.

**Grant County Public Hospital District No. 3  
doing business as Columbia Basin Hospital  
Summary Schedule of Prior Year Audit Findings  
Year Ended December 31, 2020**

The audit for the year ended December 31, 2019, reported no audit findings, nor were there any unresolved prior year findings from years ended December 31, 2018, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2020.