

**Ferry County  
Public Hospital District No. 1  
doing business as  
Ferry County Memorial Hospital**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2021 and 2020



**DINGUS | ZARECOR & ASSOCIATES<sup>PLLC</sup>**  
Certified Public Accountants

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
Republic, Washington

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital (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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibility 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 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of divisional statement of net position and divisional statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 May 23, 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 June 15, 2021, which has not been included with the 2021 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing for each year, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Dingus, Zarecor & Associates PLLC***

Spokane Valley, Washington  
May 23, 2022

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Statements of Net Position**  
**December 31, 2021 and 2021**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2021</b>	<b>2020</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 8,113,154	\$ 10,050,695
Receivables:		
Patient accounts	2,576,962	1,961,985
Taxes	15,049	21,021
Estimated third-party payor settlements	1,930	-
Other	135,547	1,500
Cash and cash equivalents restricted for debt service	-	263,781
Inventories	482,978	228,386
Prepaid expenses	128,107	38,792
Total current assets	11,453,727	12,566,160
<i>Noncurrent assets – capital assets, net of accumulated depreciation</i>	6,439,741	5,687,545
<i>Deferred outflows of resources, goodwill</i>	436,075	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 18,329,543</b>	<b>\$ 18,253,705</b>

*See accompanying notes to basic financial statements.*

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Statements of Net Position (Continued)**  
**December 31, 2021 and 2020**

<b>LIABILITIES AND NET POSITION</b>	<b>2021</b>	<b>2020</b>
<i>Current liabilities</i>		
Accounts payable	\$ 1,121,617	\$ 581,621
Capital accounts payable	97,744	47,156
Accrued compensation and related liabilities	572,276	592,729
Estimated third-party payor settlements	74,000	310,874
Accrued interest payable	-	160,906
Unearned CARES Act Provider Relief Fund and American Rescue Plan funds	572,969	2,935,010
Unearned other COVID relief funds	324,523	483,136
Current maturities of long-term debt	611,647	96,444
Current maturities of capital lease obligations	17,951	55,939
Total current liabilities	3,392,727	5,263,815
<i>Noncurrent liabilities</i>		
Paycheck Protection Program loan	-	1,280,228
Long-term debt, less current maturities	2,132,953	3,547,567
Capital lease obligations, less current maturities	36,455	56,103
Total noncurrent liabilities	2,169,408	4,883,898
Total liabilities	5,562,135	10,147,713
<i>Net position</i>		
Net investment in capital assets	4,038,320	1,723,430
Restricted for debt service	-	263,781
Unrestricted	8,729,088	6,118,781
Total net position	12,767,408	8,105,992
<b>Total liabilities and net position</b>	<b>\$ 18,329,543</b>	<b>\$ 18,253,705</b>

*See accompanying notes to basic financial statements.*

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**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	\$ 17,463,386	\$ 15,057,576
Retail pharmacy	2,799,285	-
Grants	57,719	55,550
Other	474,164	59,834
Total operating revenues	20,794,554	15,172,960
<i>Operating expenses</i>		
Salaries and wages	8,296,519	6,959,375
Employee benefits	2,036,809	1,778,193
Professional fees and purchased services	2,988,502	2,558,392
Supplies	3,489,510	1,136,033
Utilities	289,232	261,507
Rentals and leases	55,611	10,450
Repairs and maintenance	239,293	271,529
Depreciation and amortization	827,883	802,692
Insurance	117,077	93,118
Other	632,367	278,822
Total operating expenses	18,972,803	14,150,111
<i>Operating income</i>	1,821,751	1,022,849
<i>Nonoperating revenues (expenses)</i>		
CARES Act Provider Relief Fund and American Rescue Plan funds	973,876	814,418
Other COVID relief funds	400,000	37,141
Tax revenue	288,600	272,440
Nonoperating revenue	47,163	16,709
Interest income	8,195	35,486
Contributions	2,715	4,862
Interest expense	(161,112)	(180,367)
Total nonoperating revenues, net	1,559,437	1,000,689
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan	3,381,188	2,023,538
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,280,228	-
Change in net position	4,661,416	2,023,538
Net position, beginning of year	8,105,992	6,082,454
<b>Net position, end of year</b>	<b>\$ 12,767,408</b>	<b>\$ 8,105,992</b>

*See accompanying notes to basic financial statements.*

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 16,609,605	\$ 14,808,694
Cash received from retail pharmacy	2,799,285	-
Cash received from electronic health records incentive payment	-	98,500
Cash received from operating grants	57,719	55,550
Cash received from other revenue	340,117	59,834
Cash paid to and on behalf of employees	(10,353,781)	(8,748,617)
Cash paid to suppliers and contractors	(7,584,355)	(4,518,370)
Net cash provided by operating activities	1,868,590	1,755,591
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	294,572	271,422
Nonoperating activities	47,163	16,709
Contributions	2,715	4,862
Purchase of goodwill	(467,223)	-
Proceeds from CARES Act Provider Relief Fund and American Rescue Plan funds	823,104	3,749,428
CARES Act Provider Relief Fund and American Rescue Plan funds returned	(2,211,269)	-
Other COVID relief funds	241,387	520,277
Proceeds from Paycheck Protection Program loan	-	1,280,228
Net cash provided by (used in) noncapital financing activities	(1,269,551)	5,842,926
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(1,529,491)	(862,598)
Proceeds from sale of capital assets	-	8,841
Proceeds from issuance of long-term debt	2,962,983	-
Principal paid on long-term debt	(3,862,394)	(382,642)
Principal paid on capital lease obligations	(57,636)	(113,329)
Interest paid on long-term debt and capital lease obligations	(322,018)	(194,169)
Net cash used in capital and related financing activities	(2,808,556)	(1,543,897)
<i>Cash flows from investing activities</i>		
Interest received	8,195	35,486
Net increase (decrease) in cash and cash equivalents	(2,201,322)	6,090,106
Cash and cash equivalents, beginning of year	10,314,476	4,224,370
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,113,154</b>	<b>\$ 10,314,476</b>

*See accompanying notes to basic financial statements.*

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b><i>Reconciliation of Cash and Cash Equivalents</i></b>		
<b><i>to the Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 8,113,154	\$ 10,050,695
Cash and cash equivalents restricted for debt service	-	263,781
<b>Total cash and cash equivalents</b>	<b>\$ 8,113,154</b>	<b>\$ 10,314,476</b>
<b><i>Reconciliation of Operating Income to Net Cash</i></b>		
<b><i>Provided by Operating Activities</i></b>		
Operating income	\$ 1,821,751	\$ 1,022,849
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation and amortization	827,883	802,692
Goodwill amortization	31,148	-
Provision for bad debts	767,783	418,149
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(1,382,760)	(249,905)
Estimated third-party payor settlements	(1,930)	15,874
Other	(134,047)	98,500
Inventories	(254,592)	(34,387)
Prepaid expenses	(89,315)	(6,739)
Increase (decrease) in liabilities:		
Accounts payable	539,996	132,607
Accrued compensation and related liabilities	(20,453)	(11,049)
Estimated third-party payor settlements	(236,874)	(433,000)
<b>Net cash provided by operating activities</b>	<b>\$ 1,868,590</b>	<b>\$ 1,755,591</b>

*See accompanying notes to basic financial statements.*

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

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

**a. Reporting Entity**

Ferry County Public Hospital District No. 1 (the District) owns and operates three separate operating divisions: a hospital division, which includes Ferry County Memorial Hospital, a 25-bed critical access hospital; a 16-bed assisted living facility; and a retail pharmacy, all located in Republic, Washington. The District provides healthcare services to patients in the Ferry County, Washington, area. Services provided by the District include an acute care hospital, assisted living, emergency room, physicians' clinic, prescription drug distribution, and other related ancillary procedures (laboratory, imaging services, 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 paying federal income taxes. The Board of Commissioners consists of five community members elected to six-year terms. The District is not a component unit of Ferry County.

The District has no significant component units.

**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. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

***Cash and cash equivalents*** – All cash receipts are deposited directly into a depository bank account. Periodically, these funds are transferred to the Ferry County Treasurer. The Ferry County Treasurer acts as the District Treasurer. Warrants are issued by the District against the cash placed with the Ferry County Treasurer, and the warrants are redeemed from a commercial bank by the Ferry County Treasurer. For purposes of the statements of cash flows, the District considers all cash and cash investments with maturity dates of less than 90 days as cash and cash equivalents.

***Inventories*** – Inventories of medical and other supplies are stated at cost (first-in, first-out method) which is considered lower than market price.

***Deferred outflows of resources*** – Deferred outflows of resources includes the amount the District paid in excess of the fair value of a retail pharmacy business. Deferred outflows of resources are being amortized over a 15-year period.

Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
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)

**Compensated absences** – Compensated absences are absences for which employees will be paid. The District provides paid time off (PTO) that accrues each pay period based on employment classification and length of service. The District also provides employees an Employee Illness Bank (EIB) in the event of an employee's inability to work due to illness, injury, or family medical/health-related emergency. The District records unpaid leave for compensated absences as an expense and liability when incurred. The District tracks and accrues PTO for all non-per diem employees who work regularly scheduled 40 hours or more in a two-week period, utilizing a formula based on the number of years of service. PTO may be accumulated up to a two-year accrued benefit. All employees who voluntarily end their employment with the District in good standing are paid their accrued hours at their regular pay rate.

The District also has a Wellness Incentive Plan. The purpose of the Wellness Incentive Plan is to encourage employees to maintain their EIB and to provide additional benefits of accrual and cash out. Employees who have reached 62 years of age or have been employed with the District in excess of 20 years may cash out a percentage of accrued EIB hours upon retirement.

**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, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by bond indentures and by grantors for capital acquisition. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

**Operating revenues and expenses** – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District's principal activity. Nonexchange revenues, including taxes 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 individuals and other 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.

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**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)**

*Subsequent events* – Subsequent events have been reviewed through May 23, 2022, the date on which the financial statements were available to be issued.

*Upcoming accounting standards pronouncements* – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset, 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.

**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.

All cash and cash equivalents held by the Ferry County Treasurer or deposited with qualified public depositories are protected against loss by the State of Washington Public Deposit Protection Commission, as provided by the *Revised Code of Washington* (RCW) Chapter 39.58 subject to certain limitations. Qualified public depositories, including Washington Federal, N.A., pledge securities with this commission, which are available to insured public deposits within the state of Washington. The cash on deposit with these banks is also insured through the Federal Deposit Insurance Corporation.

The RCW 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 Ferry County Local Government Investment Pool at December 31, 2021 and 2020, were approximately \$5,090,000 and \$6,770,000, respectively. The Ferry County Local Government Investment Pool consists only of a simple money market account.

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

**2. Bank Deposits and Investments (continued):**

Investments in the Ferry County Local Government Investment Pool are reported at fair value based on the net asset value per share. Investments generally may be redeemed with no waiting period with proper notice to the Ferry County Treasurer.

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible amounts. 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 amounts and provision for bad debts. Management regularly reviews data about these major patient 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:

	<b>2021</b>	<b>2020</b>
Receivables from patients and their insurance carriers	\$ 1,497,335	\$ 1,345,973
Receivables from Medicare	1,177,648	946,785
Receivables from Medicaid	393,380	171,599
Receivables from 340B contract pharmacy	-	29,734
Total patient accounts receivable	<b>3,068,363</b>	2,494,091
Less allowance for uncollectible accounts	<b>491,401</b>	532,106
<b>Patient accounts receivable, net</b>	<b>\$ 2,576,962</b>	<b>\$ 1,961,985</b>

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

**4. Property Taxes:**

The Ferry 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 Ferry 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 Ferry 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 currently levies taxes at a lower rate. Further amounts of tax must be authorized by the vote of the people.

The District's portion of the regular tax levy available for maintenance and operations was \$0.59 and \$0.58 per \$1,000 on a total assessed valuation of \$454,586,839 and \$452,185,665 for a total regular levy of \$266,760 and \$262,512 for the years ended December 31, 2021 and 2020, 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.

**5. Capital Assets:**

The District capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When such assets are disposed of, the related costs and accumulated depreciation or amortization is removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses. All capital assets, other than land and construction in progress, are being depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the capital asset. Such amortization is included in depreciation and amortization in the financial statements. Useful lives have been estimated as follows:

Land improvements	5 to 20 years
Buildings and fixtures	3 to 40 years
Fixed equipment	3 to 25 years
Movable equipment	3 to 38 years

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

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

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 27,282	\$ 20,000	\$ -	\$ -	\$ 47,282
<i>Capital assets being depreciated</i>					
Land improvements	556,933	114,956	-	-	671,889
Buildings and fixtures	8,947,146	270,085	-	-	9,217,231
Fixed equipment	1,826,945	290,397	-	-	2,117,342
Movable equipment	4,471,713	884,641	(15,950)	-	5,340,404
Total capital assets being depreciated	15,802,737	1,560,079	(15,950)	-	17,346,866
<i>Less accumulated depreciation for</i>					
Land improvements	219,566	26,949	-	-	246,515
Buildings and fixtures	4,786,710	452,652	-	-	5,239,362
Fixed equipment	1,759,948	19,505	-	-	1,779,453
Movable equipment	3,376,250	328,777	(15,950)	-	3,689,077
Total accumulated depreciation	10,142,474	827,883	(15,950)	-	10,954,407
Total capital assets being depreciated, net	5,660,263	732,196	-	-	6,392,459
<b>Capital assets, net</b>	<b>\$ 5,687,545</b>	<b>\$ 752,196</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,439,741</b>

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

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

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 27,282	\$ -	\$ -	\$ -	\$ 27,282
<i>Capital assets being depreciated</i>					
Land improvements	308,854	248,079	-	-	556,933
Buildings and fixtures	8,947,146	-	-	-	8,947,146
Fixed equipment	1,897,028	12,599	(82,682)	-	1,826,945
Movable equipment	4,322,999	165,794	(17,080)	-	4,471,713
Total capital assets being depreciated	15,476,027	426,472	(99,762)	-	15,802,737
<i>Less accumulated depreciation for</i>					
Land improvements	204,654	14,912	-	-	219,566
Buildings and fixtures	4,340,718	445,992	-	-	4,786,710
Fixed equipment	1,822,878	15,131	(78,061)	-	1,759,948
Movable equipment	3,062,453	326,657	(12,860)	-	3,376,250
Total accumulated depreciation	9,430,703	802,692	(90,921)	-	10,142,474
Total capital assets being depreciated, net	6,045,324	(376,220)	(8,841)	-	5,660,263
<b>Capital assets, net</b>	<b>\$ 6,072,606</b>	<b>\$ (376,220)</b>	<b>\$ (8,841)</b>	<b>\$ -</b>	<b>\$ 5,687,545</b>

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**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 the District's long-term debt and capital lease obligations follows:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amount Due Within One Year
<i>Bond and notes payable</i>					
Health Facilities Revenue Bond, 2007	\$ 3,644,011	\$ -	\$ (3,644,011)	\$ -	\$ -
Bank of America financing agreement	-	2,000,000	-	2,000,000	389,437
Real estate contract	-	309,034	(59,763)	249,271	60,388
Promissory note	-	653,949	(158,620)	495,329	161,822
Total bond and notes payable	3,644,011	2,962,983	(3,862,394)	2,744,600	611,647
<i>Capital lease obligations</i>	112,042	-	(57,636)	54,406	17,951
<b>Total long-term debt and capital lease obligations</b>	<b>\$ 3,756,053</b>	<b>\$ 2,962,983</b>	<b>\$ (3,920,030)</b>	<b>\$ 2,799,006</b>	<b>\$ 629,598</b>
	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amount Due Within One Year
<i>Bonds payable</i>	\$ 4,026,653	\$ -	\$ (382,642)	\$ 3,644,011	\$ 96,444
<i>Capital lease obligations</i>	225,371	-	(113,329)	112,042	55,939
<b>Total long-term debt and capital lease obligations</b>	<b>\$ 4,252,024</b>	<b>\$ -</b>	<b>\$ (495,971)</b>	<b>\$ 3,756,053</b>	<b>\$ 152,383</b>

***Long-term debt and capital lease obligations*** – The terms and due dates of the District's long-term debt, including capital lease obligations are as follows:

- ***Long-term debt*** – Health Facilities Revenue Bond, 2007, dated January 2, 2007, in the original amount of \$5,000,000, for the purpose of improvements and expansion of District facilities. The bond was refinanced with the Bank of America loan in December 2021.

Bank of America financing agreement dated December 10, 2021, in the original amount of \$2,000,000, for the purpose of refinancing the remaining balance of the Tax Exempt Revenue Bond. The loan is payable in monthly principal and interest installments of approximately \$34,000, including interest at 1.33 percent, due through 2026.

Real estate contract dated January 1, 2021, in the original amount of \$309,034, for the purpose of purchasing the Republic Drug Store real estate. The loan is seller financed and payable in monthly principal and interest installments of approximately \$5,400, including interest at 2.00 percent, due through 2025.

Promissory note dated January 1, 2021, in the original amount of \$653,949, for the purpose of purchasing the Republic Drug Store business. The loan is seller financed and payable in monthly principal and interest installments of approximately \$14,000, including interest at 2.00 percent, due through 2024.

- ***Capital lease obligations*** – The District has a capital lease obligation with a rate of imputed interest of 2 percent and monthly payments of approximately \$2,500, collateralized by capital. At December 31, 2021, the capitalized cost and accumulated amortization of the capital lease obligations were \$697,360 and \$655,155, respectively. At December 31, 2020, the capitalized cost and accumulated amortization of the capital lease obligations were \$735,860 and \$621,111, respectively.

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

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

*Long-term debt and capital lease obligations (continued)* – Scheduled principal and interest payments on long-term debt and capital lease obligations follow:

Years Ending December 31,	Notes Payable			Capital Leases			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 611,647	\$ 37,273	\$ 648,920	\$ 17,951	\$ 11,546	\$ 29,497	\$ 629,598	\$ 48,819	\$ 678,417
2023	621,524	27,396	648,920	23,154	6,745	29,899	644,678	34,141	678,819
2024	631,376	17,542	648,918	13,301	1,182	14,483	644,677	18,724	663,401
2025	469,348	9,081	478,429	-	-	-	469,348	9,081	478,429
2026	410,705	2,965	413,670	-	-	-	410,705	2,965	413,670
	<b>\$ 2,744,600</b>	<b>\$ 94,257</b>	<b>\$ 2,838,857</b>	<b>\$ 54,406</b>	<b>\$ 19,473</b>	<b>\$ 73,879</b>	<b>\$ 2,799,006</b>	<b>\$ 113,730</b>	<b>\$ 2,912,736</b>

**7. 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 fiscal years 2021 or 2020.

Patient service revenue, net of contractual adjustments and discounts, recognized in the period from these major payor sources, is as follows:

	2021	2020
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 10,328,901	\$ 7,757,159
Medicaid	3,219,759	3,020,729
Other third-party payors	3,434,020	3,192,027
Patients	988,634	881,802
340B contract pharmacy	354,793	741,496
	<b>18,326,107</b>	<b>15,593,213</b>
Less:		
Charity care	94,938	117,488
Provision for bad debts	767,783	418,149
<b>Net patient service revenue</b>	<b>\$ 17,463,386</b>	<b>\$ 15,057,576</b>

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

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

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

- *Medicare* – The Hospital has been designated a critical access hospital and its clinic a rural health clinic by Medicare and as such it is reimbursed for most inpatient, swing bed, and outpatient services on a cost basis as defined and limited by the Medicare program. Non-rural health clinic physician services are reimbursed on a fee schedule. 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.
- *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, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing 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 \$20,000 and \$5,000 in the years ended December 31, 2021 and 2020, respectively, due to differences between original estimates and preliminary 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 for the years ended December 31, 2021 and 2020, were approximately \$68,000 and \$74,000, respectively.

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

**8. Retirement Plans:**

The District has a Section 457(b), a defined contribution pension plan, for its full-time, part-time, and as-needed (PRN) employees. The Section 457(b) defined contribution plan is administered by Lincoln Financial Group.

Benefit terms, including contribution requirements, for Section 457(b) defined contribution retirement plan are established and may be amended by the Board of Commissioners. Under the plan, all full-time, part-time, and PRN employees can begin contributing to their 457(b) retirement plan immediately upon employment. Under the plan, employees may contribute up to 50 percent of their gross compensation, including any bonuses or special payments, through payroll deductions, up to a maximum amount per year established by the Internal Revenue Service. If employees are age 50 or over, they may also be eligible for catch-up contributions. The plan provides for matching contributions by the District for full and part-time employees after the employee has completed the introductory period, up to 3 percent. The matching contribution amount is also set and approved by the Board of Commissioners.

Employees are immediately vested in their own contributions and earnings and District contributions are immediately 100 percent vested. The District's contributions to the plan were approximately \$110,000 and \$84,000 for the years ended December 31, 2021 and 2020, respectively. The District's employees' contributions to the plan were approximately \$270,000 and \$215,000 for 2021 and 2020, respectively.

**9. Risk Management and Contingencies:**

***Medical malpractice claims*** – The District has professional liability insurance coverage offered by Coverys. 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. The policy has no deductible.

The District also has excess professional liability insurance with Coverys on a “claims-made” basis. The excess malpractice insurance provides \$1,000,000 per claim of primary coverage with an aggregate limit of \$5,000,000. The policy has no deductible.

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

***Self-insurance risk pools*** – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust. The trust is 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. Premiums are charged to operations as they are incurred. Unemployment compensation expenses under the plan were approximately \$49,000 and \$27,000 in 2021 and 2020, respectively.

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

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

***Self-insurance risk pools (continued)*** – The District insures for workers’ compensation through the state of Washington’s Department of Labor & Industries (L&I). L&I manages all claims and pays benefits out of an insurance pool called the Washington State Fund. The fund is financed by premiums paid by employers and employees. Premiums are charged to operations as they are incurred. The District recognized dividends of approximately \$32,000 and \$46,000, from the Public Hospital District Workers’ Compensation Fund, which was offset against workers’ compensation expense in 2021 and 2020, respectively. Workers’ compensation expense was approximately \$92,000 and \$84,000 in 2021 and 2020, respectively.

***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.

***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.

**10. Concentration of Risks:**

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

The mix of receivables from patients follows:

	2021	2020
Medicare	36 %	39 %
Medicaid	19	13
Other third-party payors	23	18
Patients	22	30
	100 %	100 %

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

**10. Concentration of Risks (continued):**

*Collective bargaining units* – Effective March 21, 2020, the District renewed its contract with a labor union. As of December 31, 2021 and 2020, approximately 9 percent and 8 percent, respectively, of the District's employees were represented under a collective bargaining agreement with United Food & Commercial Workers Union Local 21. The contract is effective through July 31, 2022.

**11. Paycheck Protection Program (PPP) Note Payable:**

In April 2020, the District was granted a loan from Washington Federal Bank in the aggregate amount of \$1,280,228, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act which was enacted March 27, 2020.

The District received forgiveness of the PPP loan in January 2021. The loan forgiveness has been recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position.

**12. CARES Act Provider Relief Fund and American Rescue Plan Funds:**

The District received approximately \$4,571,000 of funding from the CARES Act Provider Relief Fund and American Rescue Plan funds. 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. In December 2021, the District paid back approximately \$2,211,000 of the funds received due to not using these funds by the date prescribed in the CARES Act.

During the years ended December 31, 2021 and 2020, the District recognized grant revenue from these funds of approximately \$974,000 and \$814,000, respectively. The District had approximately \$573,000 remaining funds as of December 31, 2021, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

**13. Subsequent Event:**

Effective January 1, 2022, 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 Healthcare 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 premium for active employees to the HCA. Beginning in the District's year ending December 31, 2022, the District will record other postemployment benefits liability/asset, deferred inflows of resources, deferred outflows of resources, and other postemployment benefits expense based on actuarial valuations and the District's proportional share of the PEBB.

## **SUPPLEMENTAL SCHEDULES**

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Schedule of Divisional Statement of Net Position**  
**December 31, 2021**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Hospital</b>	<b>Assisted Living Facility</b>	<b>Retail Pharmacy</b>	<b>Eliminations</b>	<b>Totals</b>
<i>Current assets</i>					
Cash and cash equivalents	\$ 7,603,370	\$ 22,243	\$ 487,541	\$ -	\$ 8,113,154
Receivables:					
Patient accounts	2,423,552	153,410	-	-	2,576,962
Taxes	15,049	-	-	-	15,049
Estimated third-party payor settlements	1,930	-	-	-	1,930
Other	26,834	-	108,713	-	135,547
Inventories	299,604	-	183,374	-	482,978
Prepaid expenses	128,107	-	-	-	128,107
<b>Total current assets</b>	<b>10,498,446</b>	<b>175,653</b>	<b>779,628</b>	<b>-</b>	<b>11,453,727</b>
<i>Noncurrent assets</i>					
Interdivisional receivables	2,024,214	-	-	(2,024,214)	-
Capital assets, net of accumulated depreciation	6,117,601	-	322,140	-	6,439,741
<b>Total noncurrent assets</b>	<b>8,141,815</b>	<b>-</b>	<b>322,140</b>	<b>(2,024,214)</b>	<b>6,439,741</b>
<i>Deferred outflows of resources, goodwill</i>	-	-	436,075	-	436,075
<b>Total assets and deferred outflows of resources</b>	<b>\$ 18,640,261</b>	<b>\$ 175,653</b>	<b>\$ 1,537,843</b>	<b>\$ (2,024,214)</b>	<b>\$ 18,329,543</b>
<b>LIABILITIES AND NET POSITION</b>	<b>Hospital</b>	<b>Assisted Living Facility</b>	<b>Retail Pharmacy</b>	<b>Eliminations</b>	<b>Totals</b>
<i>Current liabilities</i>					
Accounts payable	\$ 945,783	\$ 19,762	\$ 156,072	\$ -	\$ 1,121,617
Capital accounts payable	97,744	-	-	-	97,744
Accrued compensation and related liabilities	520,615	32,496	19,165	-	572,276
Estimated third-party payor settlements	74,000	-	-	-	74,000
Unearned CARES Act Provider Relief Fund and American Rescue Plan funds	572,969	-	-	-	572,969
Unearned other COVID relief funds	319,245	-	5,278	-	324,523
Current maturities of long-term debt	389,437	-	222,210	-	611,647
Current maturities of capital lease obligations	17,951	-	-	-	17,951
<b>Total current liabilities</b>	<b>2,937,744</b>	<b>52,258</b>	<b>402,725</b>	<b>-</b>	<b>3,392,727</b>
<i>Noncurrent liabilities</i>					
Interdivision payables	-	1,989,647	34,567	(2,024,214)	-
Long-term debt, less current maturities	1,610,563	-	522,390	-	2,132,953
Capital lease obligations, less current maturities	36,455	-	-	-	36,455
<b>Total noncurrent liabilities</b>	<b>1,647,018</b>	<b>1,989,647</b>	<b>556,957</b>	<b>(2,024,214)</b>	<b>2,169,408</b>
<b>Total liabilities</b>	<b>4,584,762</b>	<b>2,041,905</b>	<b>959,682</b>	<b>(2,024,214)</b>	<b>5,562,135</b>
<i>Net position</i>					
Net investment in capital assets	3,965,451	-	72,869	-	4,038,320
Unrestricted	10,090,048	(1,866,252)	505,292	-	8,729,088
<b>Total net position</b>	<b>14,055,499</b>	<b>(1,866,252)</b>	<b>578,161</b>	<b>-</b>	<b>12,767,408</b>
<b>Total liabilities and net position</b>	<b>\$ 18,640,261</b>	<b>\$ 175,653</b>	<b>\$ 1,537,843</b>	<b>\$ (2,024,214)</b>	<b>\$ 18,329,543</b>

*See accompanying independent auditors' report.*

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Schedule of Divisional Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**Year Ended December 31, 2021**

	Hospital	Assisted Living Facility	Retail Pharmacy	Eliminations	Totals
<i>Operating revenues</i>					
Net patient service revenue	\$ 16,880,620	\$ 582,766	\$ -	\$ -	\$ 17,463,386
Retail pharmacy	-	-	2,799,285	-	2,799,285
Grants	57,719	-	-	-	57,719
Other	144,702	14	329,448	-	474,164
Total operating revenues	17,083,041	582,780	3,128,733	-	20,794,554
<i>Operating expenses</i>					
Salaries and wages	7,570,304	370,873	355,342	-	8,296,519
Employee benefits	1,841,746	109,885	85,178	-	2,036,809
Professional fees and purchased services	2,864,477	84,970	110,014	(70,959)	2,988,502
Supplies	1,597,320	20,532	1,871,658	-	3,489,510
Utilities	266,559	11,409	11,264	-	289,232
Rentals and leases	55,611	128,675	-	(128,675)	55,611
Repairs and maintenance	237,659	1,634	-	-	239,293
Depreciation and amortization	813,585	-	14,298	-	827,883
Insurance	117,077	-	-	-	117,077
Other	535,849	10,515	86,003	-	632,367
Total operating expenses	15,900,187	738,493	2,533,757	(199,634)	18,972,803
<i>Operating income (loss)</i>	1,182,854	(155,713)	594,976	199,634	1,821,751
<i>Nonoperating revenues (expenses)</i>					
CARES Act Provider Relief Fund and American Rescue Plan funds	973,876	-	-	-	973,876
Other COVID relief funds	400,000	-	-	-	400,000
Tax revenue	288,600	-	-	-	288,600
Nonoperating revenue	246,797	-	-	(199,634)	47,163
Interest income	8,183	12	-	-	8,195
Contributions	2,615	-	100	-	2,715
Interest expense	(144,197)	-	(16,915)	-	(161,112)
Total nonoperating revenues (expenses), net	1,775,874	12	(16,815)	(199,634)	1,559,437
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan	2,958,728	(155,701)	578,161	-	3,381,188
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,280,228	-	-	-	1,280,228
Change in net position	4,238,956	(155,701)	578,161	-	4,661,416
Net position, beginning of year	9,816,543	(1,710,551)	-	-	8,105,992
<b>Net position, end of year</b>	<b>\$ 14,055,499</b>	<b>\$ (1,866,252)</b>	<b>\$ 578,161</b>	<b>\$ -</b>	<b>\$ 12,767,408</b>

*See accompanying independent auditors' report.*

## **SINGLE AUDIT**

## **AUDITORS' SECTION**

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  
Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
Republic, 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 Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital (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 May 23, 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

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

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
May 23, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

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

Board of Commissioners  
Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
Republic, Washington

**Report on Compliance for the Major Federal Program**

***Opinion on the District's Major Federal Program***

We have audited Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital'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 auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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; 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 generally accepted auditing standards, *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 each 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.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
May 23, 2022

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

**Section I – Summary of Auditors’ Results**

**Financial Statements:**

Type of auditors' report issued:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____	yes	X	no
X	yes	_____	none reported

Noncompliance material to financial statements noted?

_____	yes	X	no
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**Federal Awards:**

Internal control over major federal reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____	yes	X	no
_____	yes	X	none reported

Type of auditors' report issued on compliance for a major federal program:

*Unmodified*

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)?

_____	yes	X	no
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**Identification of major federal program:**

*Federal Assistance Listing Number*

*Name of Federal Program or Cluster*

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?

_____	yes	X	no
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**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2021**

**Section II – Financial Statement Findings**

**2021–001 Auditor Detected Adjusting Journal Entries**

<i>Condition</i>	Adjusting journal entries were proposed by the audit team.
<i>Criteria</i>	<p>[ ] Compliance Finding [X] Significant Deficiency [ ] Material Weakness</p> <p>Adjusting journal entries should not be detected by the auditors during the audit process.</p>
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	Although performed regularly by management, reconciliations and review are not being executed with as much precision as necessary to identify necessary adjustments in a timely manner.
<i>Effect</i>	Financial reports may be inaccurate and could affect management and board decision making.
<i>Recommendation</i>	All statement of financial position accounts should be reconciled and adjusted as necessary each month and sufficient review should be performed on all manual journal entries posted.
<i>View of Responsible Officials</i>	<p>In order to ensure all accounts are correct, the following will be implemented immediately:</p> <ul style="list-style-type: none"> <li>- A monthly checklist will be developed for accounts to be reviewed by the CFO.</li> <li>- All balance sheet accounts to be reconciled by the Controller and reviewed by the CFO with a goal of 95% completion by year end.</li> </ul>

**Section III – Federal Award Findings and Questioned Costs**

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

**AUDITEE'S SECTION**

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Additional Award Identification</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Health and Human Services Direct Programs:</b>				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	\$ 1,638,832
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19	100,000
Total U.S. Department of Health and Human Services Direct Programs				1,738,832
<b>U.S. Department of Health and Human Services Pass-through Programs From:</b>				
<i>Washington State Department of Health</i>				
Rural Health Research Centers	93.155	H3LRH42245-01	COVID-19	16,575
		HSP25506-		
Small Rural Hospital Improvement Grant Program	93.301	OHSP26275-0		10,878
Total Washington State Department of Health				27,453
<i>University of Washington</i>				
Drug Abuse and Addiction Research Programs	93.279	UWSC11741		7,686
Total U.S. Department of Health and Human Services Pass-through Programs				35,139
<b>Total expenditures of federal awards</b>				<b>\$ 1,773,971</b>

*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 Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital (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 the 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.



**Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
Corrective Action Plan  
Year Ended December 31, 2021**

The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II – Financial Statement Findings.

**2021-001 Auditor Detected Adjusting Journal Entries**

***Corrective action  
planned:***

Ferry County Health acknowledges and agrees with the audit finding regarding auditor recommended adjustments. While we agree, we also acknowledge that end of year transition was a big contributing factor to the year end reconciliations. We will immediately renew efforts to review monthly and year end reconciliations and make timely entries. The Chief Financial Officer will be responsible for ensuring this plan is carried out and all entries made by audit start.

***Anticipated  
completion date:***

December 2022

***Contact person  
responsible for  
corrective action:***

Jennifer Reed, CEO/CFO

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended December 31, 2021**

<b>Prior-year Number</b>	<b>Description</b>	<b>Current Status</b>
2020-001	Auditor Detected Adjusting Journal Entries	Repeated