Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pacific County Public Healthcare Services District No. 3

(Ocean Beach Hospital)

For the period January 1, 2021 through December 31, 2022

Published September 28, 2023

Report No. 1033385

Scan to see another great way we're helping advance #GoodGovernment

Office of the Washington State Auditor
Pat McCarthy

September 28, 2023

Board of Commissioners
Ocean Beach Hospital
Ilwaco, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Ocean Beach Hospital's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Ocean Beach Hospital
January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the business-type activities and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the District's compliance with requirements applicable to its major federal program.

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

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
93.498	COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Ocean Beach Hospital
January 1, 2021 through December 31, 2022

Board of Commissioners
Ocean Beach Hospital
Ilwaco, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Ocean Beach Hospital, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 22, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the District in a separate letter dated September 22, 2023.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 22, 2023

INDEPENDENT AUDITOR'S REPORT

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

Ocean Beach Hospital
January 1, 2022 through December 31, 2022

Board of Commissioners
Ocean Beach Hospital
Ilwaco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Ocean Beach Hospital, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

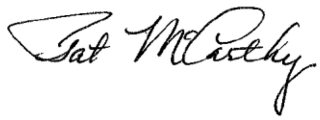
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our 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. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 22, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Ocean Beach Hospital
January 1, 2021 through December 31, 2022

Board of Commissioners
Ocean Beach Hospital
Ilwaco, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Ocean Beach Hospital, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Ocean Beach Hospital, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the financial section of our report be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that governmental 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

September 22, 2023

FINANCIAL SECTION

Ocean Beach Hospital
January 1, 2021 through December 31, 2022

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Statements of Net Position

December 31,	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents		
Cash	$ 7,659,588	$ 9,495,164
Board designated	11,621,554	16,369,454
Restricted	12,227	6,248
Receivables:		
Patient accounts - Net	4,595,982	3,025,854
Taxes	62,784	69,382
Other	25,854	-
Inventories	448,402	441,265
Prepaid expenses	591,803	300,110
Total current assets	25,018,194	29,707,477
Noncurrent assets:		
Nondepreciable capital assets	1,384,644	804,261
Depreciable capital assets - Net	6,027,252	6,703,435
Total noncurrent assets	7,411,896	7,507,696
Total assets	32,430,090	37,215,173
Deferred outflows of resources - Pension	15,282	33,300
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 32,445,372	$ 37,248,473

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Statements of Net Position (Continued)

December 31,	2022	2021
Liabilities:		
Current liabilities:		
Current maturities - Long-term debt	$ 478,542	$ 466,053
Current portion - Lease obligations	100,436	94,723
Current portion - Medicare refundable advance	-	4,721,949
Unearned revenue	-	448,384
Current portion - Accrued compensated absences	730,055	680,255
Accounts payable	327,122	1,178,580
Payroll and related liabilities	620,514	317,327
Accrued interest	6,872	10,208
Estimated third-party payor settlements	1,554,000	2,300,185
Total current liabilities	3,817,541	10,217,664
Noncurrent liabilities:		
Long-term debt - Less current maturities	2,354,952	2,451,966
Paycheck Protection Program loan	-	2,000,000
Medicare refundable advance - Less current portion	-	-
Capital lease obligations - Less current portion	380,622	481,057
Accrued compensated absences - Less current portion	243,352	226,752
Net pension liability	903,465	1,044,966
Total noncurrent liabilities	3,882,391	6,204,741
Total liabilities	7,699,932	16,422,405
Net position:		
Net investment in capital assets	4,097,344	4,589,677
Restricted	12,227	6,248
Unrestricted	20,635,869	16,230,143
Total net position	24,745,440	20,826,068
TOTAL LIABILITIES AND NET POSITION	$ 32,445,372	$ 37,248,473

See accompanying notes to financial statements.

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31,	2022	2021
Operating revenue:		
Net patient service revenue	$ 31,216,430	$ 29,548,763
Other operating revenues	720,612	596,020
Total operating revenue	31,937,042	30,144,783
Operating expenses:		
Salaries and wages	14,414,534	12,900,605
Employee benefits	4,300,459	5,370,283
Professional fees	2,180,532	2,102,221
Supplies	2,930,485	3,178,811
Purchased services	5,418,399	4,330,036
Utilities	473,158	406,870
Repairs and maintenance	251,255	467,807
Insurance	417,357	487,740
Other	894,222	701,938
Rent	23,669	40,238
Depreciation	1,115,273	1,135,704
Total operating expenses	32,419,343	31,122,253
Loss from operations	(482,301)	(977,470)
Nonoperating revenue (expenses):		
Property taxes for maintenance and operations	1,253,471	1,226,156
Property taxes for bond principal and interest	-	136,828
Taxes for forest timber harvest	73,553	48,486
Interest income	321,087	22,266
Grants and contributions	430,813	587,466
Provider Relief Fund income	-	1,252,130
PPP loan forgiveness	-	2,747,900
Other federal assistance	2,448,391	-
Interest expense	(125,642)	(146,855)
Total nonoperating revenue - Net	4,401,673	5,874,377
Change in net position	3,919,372	4,896,907
Net position - Beginning of the year	20,826,068	15,929,161
Net position - End of the year	$ 24,745,440	$ 20,826,068

See accompanying notes to financial statements.

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Statements of Cash Flows

Years Ended December 31,	2022	2021
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 24,178,168	$ 29,203,133
Receipts from other operating activities	694,758	643,794
Payments to employees	(18,592,372)	(18,017,031)
Payments to suppliers, contractors, and others	(13,615,881)	(10,826,910)
Net cash provided by (used in) operating activities	(7,335,327)	1,002,986
Cash flows from noncapital financing activities:		
Property taxes	1,260,069	1,268,756
Timber taxes	73,553	48,486
Paycheck Protection Program loan proceeds	-	2,000,000
Provider Relief Fund program receipts	-	1,552,130
Grants and contributions	430,820	587,466
Net cash provided by noncapital financing activities	1,764,442	5,456,838
Cash flows from capital and related financing activities:		
Cash received from taxation for bond principal and interest	-	136,828
Proceeds from issuance of long-term debt	-	708,345
Principal paid on long-term debt and lease obligations	(179,246)	(847,839)
Interest paid on long-term debt	(128,980)	(142,218)
Purchase of capital assets	(1,019,473)	(2,011,421)
Net cash used in capital and related financing activities	(1,327,699)	(2,156,305)
Cash flows from investing activities - Interest received	321,087	22,266
Change in cash and cash equivalents	(6,577,497)	4,325,785
Cash and cash equivalents at beginning of year	25,870,866	21,545,081
Cash and cash equivalents at end of year	$ 19,293,369	$ 25,870,866

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Statements of Cash Flows (Continued)

Years Ended December 31,	2022	2021
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	$ (482,301)	$ (977,470)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation	1,115,273	1,135,704
Provision for bad debts	1,170,796	2,066,056
Pension expense	(123,482)	180,868
Change in assets and liabilities:		
Patient accounts receivable - Net	(2,740,924)	(2,523,690)
Other receivables	(25,854)	47,774
Inventories	(7,137)	(64,449)
Prepaid expenses	(291,693)	67,393
Accounts payable	(851,458)	1,060,731
Payroll and related liabilities	303,187	(48,494)
Accrued compensated absences	66,400	(53,441)
Estimated third-party payor settlements	(746,185)	3,108,169
Medicare refundable advance payments	(4,721,949)	(2,996,165)
Total adjustments	(6,853,026)	1,980,456
Net cash provided by (used in) operating activities	$ (7,335,327)	$ 1,002,986
Significant noncash noncapital and capital and related financing activities:		
Forgiveness of PPP loans	$ 2,000,000	$ 2,747,900

See accompanying notes to financial statements.

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Statements of Fiduciary Net Position - Pension Plan

Pension Trust Fund

June 30,	2022	2021
Assets:		
Guaranteed interest contracts	$ 1,303,892	$ 1,411,638
Employee contributions receivable	-	-
TOTAL ASSETS	$ 1,303,892	$ 1,411,638
Net position - Restricted for pension benefits	$ 1,303,892	$ 1,411,638

See accompanying notes to financial statements.

Public Hospital District 3 of Pacific County
d/b/a Ocean Beach Hospital

Statements of Changes in Fiduciary Net Position - Pension Plan

Pension Trust Fund

Years Ended June 30,	**2022**	**2021**
Additions:		
Employee contributions	$ -	$ -
Return on plan assets	42,612	45,202
Total additions	42,612	45,202
Deductions - Benefits paid	150,358	149,063
Change in net position	(107,746)	(103,861)
Net position at beginning of year	1,411,638	1,515,499
Net position at end of year	$ 1,303,892	$ 1,411,638

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

The Entity

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital (the "District"), founded in 1995, serves the southern portion of Pacific County. The District operates Ocean Beach Hospital and Ocean Beach Medical Clinic, a 25-bed acute-care hospital and healthcare clinic in Ilwaco, Washington, and the Naselle Clinic. The District provides services including medical, surgical, physical therapy, emergency care, laboratory, and radiology.

An elected, five-member Board of Commissioners (the "Board") governs the District. The Board appoints a Chief Executive Officer to oversee the District's daily operations as well as its approximately 150 employees.

Fiduciary Component Unit - Pension Plan

The District sponsors and contributes to a defined benefit plan, Pacific County Public Hospital District No. 3 – Ocean Beach Retirement Plan (the "Plan"), a single-employer defined pension plan that is governed by the District's Board of Commissioners. The Plan is a fiduciary component unit of the District.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accounting records of the district are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 of the Revised Code of Washington (RCW) and the Washington State Department of Health Accounting and Reporting Manual for Hospitals.

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized when eligibility requirements have been met.

Use Estimates

The preparation of financial statements in conformity with GAAP 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

All cash receipts are deposited directly to the District's depository accounts with the Pacific County Treasurer. Periodically, such cash is transferred to the operating accounts and warrants are issued by the District against these accounts. For purposes of the statements of cash flows, the District considers all cash and cash investments with maturity dates of three months or less as cash and cash equivalents.

Restricted Assets

Restricted assets is comprised of unused cash and cash equivalents derived from the collection of taxes required to pay principal and interest on general obligation bonds and unused proceeds from bond issuances.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The District does not have a policy to charge interest on past due accounts. The carrying amounts of patient receivables are reduced by allowances that reflect management's estimate of the amounts that will not be collected.

Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient receivables. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to patient receivables.

Patient receivables are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts.

Property Taxes

Property taxes are levied by the county on the District's behalf on January 1 and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values at October 1.

Any property tax balances due to the county after the payment due dates are considered delinquent.

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost, based on the first-in, first-out inventory cost flow assumption, or net realizable value. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

Assets or liabilities measured and reported at fair value are classified and disclosed in one of the three following categories:

Level 1 - Inputs to the valuation methodology are the unadjusted quoted price for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at cost, except for donated assets, which are valued at acquisition 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 and amortization are removed from the accounts, and the resulting gain or loss is classified in nonoperating revenue (expenses). Depreciation and amortization have been computed on the straight-line method over the following estimated useful service lives. The District's policy is to capitalize assets with a cost of $5,000 and over, and a useful life greater than one year.

Land improvements	8 to 25 years
Buildings and building improvements	5 to 40 years
Major movable equipment	3 to 20 years
Fixed equipment	5 to 20 years
Software	3 to 5 years

Compensated Absences

The District's policy is to permit employees to accumulate earned, but unused paid time off (PTO) and sick pay benefits. All PTO is accrued when incurred, at varying rates depending on the employee's position and contract. Nurses and all other employees accrue PTO, except exempt employees, who accrue both PTO and sick pay. Unused PTO is accumulated and paid to the employee when the employee terminates employment with the District. Accrued PTO is reported as a current and noncurrent liability in both 2022 and 2021. There is no liability for unpaid accumulated sick leave for exempt employees, since the District does not have a policy to pay any amounts when employees separate from service with the District. For union employees, sick leave is included in the PTO accrual.

Unearned Revenue

Unearned revenue arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or other eligibility requirements have not yet been met. The District has unearned revenue related to the unspent portion of Provider Relief Fund receipts.

Note 1: Summary of Significant Accounting Policies (Continued)

Retirement Plan

For purposes of measuring the net pension liability and deferred outflows of resources related to pensions and pension expense, information about the pension net position of the Plan and additions to/deductions from the Plan's pension net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is reported in three categories:

> Net investment in capital assets: This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.
>
> Restricted: This category consists of noncapital assets whose use is restricted reduced by liabilities and deferred inflows of resources related to those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted: This category consists of the remaining net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

Operating Revenues and Expenses

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

Note 1: Summary of Significant Accounting Policies (Continued)

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. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients who do not qualify for charity care, the District recognizes revenue 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 willing to pay for services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Charity

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. The District maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Grants and Contributions

From time to time, the District received grants from the State of Washington as well as contributions from individual and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Leases

The District is a lessee in multiple noncancelable leases. If the contract provides the District the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the District's incremental borrowing rate.

The ROU asset for leases is amortized on a straight-line basis over the lease term. For all underlying classes of assets, the District has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The District recognizes short-term leases with lease costs included in short-term lease expense. The District recognizes short-term lease cost on a straight-line basis over the lease term.

Note 2: Accounting and Reporting Changes

In June 2017, the GASB issued GASB Statement No. 87 - *Leases*. The statement enhances the relevance and consistency of reporting for the District's leasing activities by establishing requirements for lease accounting based on the principle that leases are financings of underlying right-of-use assets. A lessee is required to recognize a lease liability and intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The District adopted this guidance for the year ended December 31, 2022 using the full retrospective approach based on the facts and circumstances which existed on January 1, 2021. The adoption of this guidance did not affect beginning net position for the year ended December 31, 2021, and, accordingly, restatement of beginning December 31, 2021, net position was not necessary. Ending December 31, 2021, net position decreased insignificantly by $13,305 from $20,839,373 to $20,826,068.

Note 3: Cash, Cash Equivalents, and Investments

Deposits

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be 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.

Note 3: Cash, Cash Equivalents, and Investments (Continued)

Participation in Local Government Investment Pool

The District is a participant in the Local Government Investment Pool (LGIP) was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually, and proposed changes are reviewed by the LGIP advisory committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool and is not a registered investment company with the U.S. Securities and Exchange Commission. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB Statement No. 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a standalone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at http://www.tre.wa.gov.

The LGIP is not a registered investment company with the U.S. Securities and Exchange Commission.

The carrying amount of cash, cash equivalents, and investments was as follows at December 31:

	2022	2021
Cash on deposit with County Treasurer	$ 7,659,588	$ 9,495,164
Cash - Board designated	11,621,554	16,369,454
Cash - Restricted	12,227	6,248
Totals	$ 19,293,369	$ 25,870,866

Investments

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 LGIP; savings accounts in qualified public depositories; and certain other investments.

The District’s investment policy specifies that investments will be limited to collateralized certificates of deposit, collateralized repurchase options, passbook savings, money market checking, U.S. Government Treasury securities, or the Washington State LGIP.

Note 3: Cash, Cash Equivalents, and Investments (Continued)

Employees' Retirement System

The District's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the District's investments; all investment decisions are subject to Washington law and the investment policy established by the governing body. The District's investments are held by an independent trust company.

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP and described in Note 1. The Plan had $1,303,892 and $1,411,638 at December 31, 2022 and 2021, respectively, invested in guaranteed investment contracts which are stated at fair value, regarded as a level three measurement (Level 3 - significant unobservable inputs), using consensus pricing.

Note 4: 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 Pacific county. No single patient balance is more than five percent of the total receivable balance at year-end. The mix of patient receivables are as follows:

December 31,	2022	2021
Receivable from patients and their insurance carriers	$ 4,340,455	$ 3,073,943
Receivable from Medicare	3,238,289	2,525,051
Receivable from Medicaid	2,636,348	1,250,891
Patient accounts receivable	10,215,092	6,849,885
Less:		
Contractual adjustments	3,327,453	3,404,855
Allowance for uncollectible amounts	2,291,657	419,176
Patient accounts receivable - Net	$ 4,595,982	$ 3,025,854

The District's allowance for bad debts for self-pay patients was approximately 100% and 80% of self-pay accounts receivable at December 31, 2022 and 2021, respectively. The District does not maintain a material allowance for bad debts from third-party payors, nor did it have significant write-offs from third-party payors.

Note 5: Net Patient Service Revenue

The following table sets forth the detail of patient service revenue - net of contractual adjustments, discounts, and provision for bad debts for the years ended December 31:

	2022	2021
Gross patient revenue:		
Inpatient services	$ 10,404,386	$ 7,875,446
Outpatient services	46,850,002	45,319,491
Physician clinics	4,424,642	3,751,544
Totals	61,679,030	56,946,481
Less:		
Contractual adjustments	29,291,804	25,331,762
Provision for bad debts	1,170,796	2,066,056
Total adjustments	30,462,600	27,397,818
Net patient service revenue	$ 31,216,430	$ 29,548,663

Note 6: Property Taxes

The District received approximately 4% of its financial support from property taxes for both the years ended December 31, 2022 and 2021. The funds were used as follows:

Years Ended December 31,	2022	2021
Levied to support operations	$ 1,253,471	$ 1,226,156
Levied for debt service	-	136,828
Totals	$ 1,253,471	$ 1,362,984

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

For 2022, the District's regular tax levy was $0.475163 per $1,000 on the assessed valuation of $2,637,954,487, for a total regular levy of $1,198,825.

For 2021 the District's regular tax levy was $0.553201 per $1,000 on the assessed valuation of $2,167,270,241, for a total regular levy of $1,204,567.

Note 6: Property Taxes (Continued)

The District's special tax levy was $0.059032 per $1,000 on the total assessed valuation of $2,377,040,183, for a total special levy of $136,828.

Note 7: Reimbursement Arrangements With Third-Party Payors

Hospital

The District has agreements with third-party payors that provide for reimbursement to the District at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Medicare - The District is designated as a critical access hospital (CAH). Under this designation, inpatient and outpatient hospital services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain lab and mammography services, which remain on a fee schedule. Professional services provided by physicians and other clinicians are reimbursed based on prospectively determined fee schedules.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. The District is reimbursed at a tentative rate, with final settlement determined after the submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Others - The District also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the District on these agreements includes prospectively determined rates per discharge, discounts from established rates, and other payment methods.

Other Nonacute Services

Physician and professional services - Certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology. Under federal law, the rural health clinics are also entitled to receive a wraparound payment for the difference between the cost and the amount paid by Medicaid managed-care plans. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Accounting for Medicare and Medicaid Contractual Arrangements

The District is reimbursed for cost-reimbursable items at interim rates, with final settlements determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements.

Note 7: Reimbursement Arrangements With Third-Party Payors (Continued)

Laws and 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, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations.

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 repayment for patient services previously billed. Management believes the District is in compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the District, 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.

The Centers for Medicare and Medicaid Services (CMS) has implemented a project using recovery audit contractors (RACs) as part of CMS's further efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The District may either accept or appeal the RAC's findings. RAC reviews of the District's Medicare claims are anticipated; however, the outcomes of such reviews are unknown, and any financial impact cannot be reasonably estimated at December 31, 2022.

Public Hospital District 3 of Pacific County
d/b/a Ocean Beach Hospital

Notes to Financial Statements

Note 8: Capital Assets

Capital asset balances and activity were as follows:

	Balance at January 1, 2022	Additions	Retirements	Transfers	Balance at December 31, 2022
Nondepreciable capital assets:					
Land	$ 592,509	$ -	$ -	$ -	$ 592,509
Construction in progress	211,752	580,383	-	-	792,135
Total nondepreciable assets	804,261	580,383	-	-	1,384,644
Depreciable capital assets:					
Land improvements	160,430	24,078	-	-	184,508
Buildings	14,777,252	-	-	-	14,777,252
Building improvements	234,637	104,850	-	-	339,487
Fixed equipment	3,318,718	117,981	-	-	3,436,699
Movable equipment	9,308,885	185,522	-	-	9,494,407
Software	2,277,990	6,659	-	-	2,284,649
ROU assets - Building	667,940	-	-	-	667,940
Total depreciable assets	30,745,852	439,090	-	-	31,184,942
Total assets before depreciation	31,550,113	1,019,473	-	-	32,569,586
Less accumulated depreciation for:					
Land improvements	157,195	2,078	-	-	159,273
Buildings	11,017,479	347,865	-	-	11,365,344
Building improvements	159,308	40,018	-	-	199,326
Fixed equipment	2,086,621	372,681	-	-	2,459,302
Movable equipment	8,321,239	215,274	-	-	8,536,513
Software	2,195,111	31,893	-	-	2,227,004
ROU assets - Building	105,464	105,464	-	-	210,928
Total accumulated depreciation	24,042,417	1,115,273	-	-	25,157,690
Capital assets - Net	$ 7,507,696	$ (95,800)	$ -	$ -	$ 7,411,896

Note 8: Capital Assets (Continued)

Construction in progress at December 31, 2022 consisted of several renovation projects. Renovations include Ilwaco Clinic, improvements to elevators in the hospital and a renovation of the medical sugery floor. These projects are expected to be completed by fiscal year 2023 and 2024, respectively.

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Notes to Financial Statements

Note 8: Capital Assets (Continued)

Capital asset balances and activity were as follows:

	Balance at January 1, 2021	Additions	Retirements	Transfers	Balance at December 31, 2021
Nondepreciable capital assets:					
Land	$ 592,509	$ -	$ -	$ -	$ 592,509
Construction in progress	569,896	391,511	-	(749,655)	211,752
Total nondepreciable assets	1,162,405	391,511	-	(749,655)	804,261
Depreciable capital assets:					
Land improvements	160,430	-	-	-	160,430
Buildings	13,557,775	649,581	-	569,896	14,777,252
Building improvements	172,574	62,063	-	-	234,637
Fixed equipment	3,081,339	237,379	-	-	3,318,718
Movable equipment	8,555,128	933,516	-	179,759	9,308,885
Software	2,181,101	96,889	-	-	2,277,990
ROU assets - Building	667,940	-	-	-	667,940
Total depreciable assets	28,376,287	1,979,428	-	749,655	30,745,852
Total assets before depreciation	29,538,692	2,370,939	-	-	31,550,113
Less accumulated depreciation for:					
Land improvements	156,357	838	-	-	157,195
Buildings	10,613,482	403,997	-	-	11,017,479
Building improvements	79,986	79,322	-	-	159,308
Fixed equipment	1,736,623	349,998	-	-	2,086,621
Movable equipment	8,139,165	182,074	-	-	8,321,239
Software	2,181,101	14,010	-	-	2,195,111
ROU assets - Building	-	105,464	-	-	105,464
Total accumulated depreciation	22,906,714	1,135,703	-	-	24,042,417
Capital assets - Net	$ 6,631,978	$ 1,235,236	$ -	$ -	$ 7,507,696

Note 9: Long-Term Debt and Leases

Long-term debt and other noncurrent liabilities consisted of the following:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Amount Due Within One Year
Bonds payable:					
2010 LTGO bonds	$ 91,250	$ -	$ 26,002	$ 65,248	$ 23,859
2017 LTGO bonds	1,367,154	-	262,710	1,104,444	267,964
2019 LTGO bonds	812,000	-	105,000	707,000	109,000
Total bonds payable	2,270,404	-	393,712	1,876,692	400,823
Lease obligations - Windswept Properties lease	575,780	-	94,722	481,058	100,436
Direct borrowings:					
PPP loan no. 2	2,000,000	-	2,000,000	-	-
COP loan	647,615	168,560	74,019	742,156	77,720
COP loan premium	-	214,647	-	214,647	-
Total direct borrowings	2,647,615	383,207	2,074,019	956,803	77,720
Other noncurrent liabilities:					
Net pension liability	1,044,966	-	141,501	903,465	-
Refundable advance	4,721,949	-	4,721,949	-	-
Accrued compensated absences	907,007	66,400	-	973,407	730,055
Total other noncurrent liabilities	6,673,922	66,400	4,863,450	1,876,872	730,055
Total noncurrent liabilities	12,167,721	$ 449,607	$ 7,425,903	5,191,425	$ 1,309,034
Less - Current maturities	5,962,980			1,309,034	
Total noncurrent liabilities - Excluding current maturities	$ 6,204,741			$ 3,882,391	

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Notes to Financial Statements

Note 9: Long-Term Debt (Continued)

Long-term debt and other noncurrent liabilities consisted of the following:

	Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021	Amount Due Within One Year
Bonds payable:					
2010 LTGO bonds	$ 115,672	$ -	$ 24,422	$ 91,250	$ 24,324
2017 UTGO refunding bonds	310,587	-	310,587	-	-
2017 LTGO bonds	1,625,094	-	257,940	1,367,154	262,710
2019 LTGO bonds	914,000	-	102,000	812,000	105,000
Total bonds payable	2,965,353	-	694,949	2,270,404	392,034
Direct borrowings:					
PPP loan	2,747,900	-	2,747,900	-	-
PPP loan no. 2	-	2,000,000	-	2,000,000	-
COP loan	-	708,345	60,730	647,615	74,019
Total direct borrowings:	2,747,900	2,708,345	2,808,630	2,647,615	74,019
Lease obligations - Windswept Properties lease	667,940	-	92,160	575,780	94,723
Other noncurrent liabilities:					
Net pension liability	889,137	155,829	-	1,044,966	-
Refundable advance	7,718,114	-	2,996,165	4,721,949	4,721,949
Accrued compensated absences	960,447	-	53,440	907,007	680,255
Total other noncurrent liabilities	9,567,698	155,829	3,049,605	6,673,922	5,402,204
Total noncurrent liabilities	15,948,891	$ 2,864,174	$ 6,645,344	12,167,721	$ 5,962,980
Less - Current maturities	4,308,718			5,962,980	
Total noncurrent liabilities - Excluding current maturities	$ 11,640,173			$ 6,204,741	

Note 9: Long-Term Debt (Continued)

The terms and due dates of the District's long-term debt consisted of the following:

Bonds payable:

Limited tax general obligation (LTGO) bond, dated June 15, 2010, in the original amount of $300,000, due in various annual installments from $24,324 in 2022 to $14,585 in 2025, plus semiannual interest at 4.87% payable monthly. The bond proceeds were used to pay the costs of purchasing and improving real property. LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a maintenance and operations tax on the taxable property with the District. At December 31, 2022, there was a liability balance of $65,248.

Unlimited tax general obligation (UTGO) bond, dated August 1, 2002, in the original amount of $4,760,000 and UTGO bond, dated December 15, 2000, in the original amount of $4,990,000, refinanced in February 2007, were both refinanced via a single UTGO refunding bond, dated June 15, 2017, in the amount of $2,805,870, due in an installment of $310,587 in 2021, including semiannual interest at 1.50% payable June 1 and December 1 each year. Proceeds of the bond were used to perform an advance refunding of years 2017 through 2021 principal amounts outstanding for the 2002 UTGO bonds in the amount of $1,519,584, as well as the advance refunding for years 2017 through 2021 principal amounts outstanding for the 2007 UTGO bonds in the amount of $1,286,286. The 2000 and 2002 bond proceeds were used to pay the construction costs of additions and betterments to facilities. The District is required to levy and collect sufficient taxes each year to pay the bond principal and interest payments due. UTGO 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 on the taxable property within the District. The voters of the District approved the 2000 and 2002 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. The 2017 UTGO refunding bonds were paid in full during the year ended December 31, 2021.

LTGO bond, dated July 6, 2017, in the amount of $2,636,300, due in various installments from $290,053 in 2022 to $284,366 in 2026, including semiannual interest at 2.0%, payable June 1 and December 1 each year. The bond proceeds were used primarily to pay for the implementation and software cost of a new electronic health records and general ledger system. All LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a maintenance and operations tax on the taxable property with the District. At December 31, 2022, there was a liability balance of $1,104,444 for the 2017 LTGO bonds.

LTGO bond, dated July 9, 2019, in the original amount of $2,636,300, due in various installments from $40,809 in 2022 to $131,127 in 2028, including semiannual interest at 3.25%, payable June 1 and December 1 each year. The bond proceeds were used to fund the acquisition of a wellness and rehabilitation building and clinic equipment. LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a maintenance and operations tax on the taxable property with the District.

Note 9: Long-Term Debt (Continued)

At December 31, 2022, there was a liability balance of $707,000.

Direct Borrowings

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The PPP was fully forgiven during the year ended December 31, 2021.

During December 2020, the Consolidated Appropriations Act reopened the PPP and allowed for additional funding for entities who met certain criteria. During the year ended December 31, 2021, the District applied for an was approved for a second loan (PPP 2) of $2,000,000. During the year ending December 31, 2022 the District received notification from the SBA that the full balance of the loan had been forgiven.

Certificates of Participation, Series 2021A (COP loan), dated February 23, 2021, in the original amount of $2,636,300, due in various installments from $40,809 in 2022 to $112,094 in 2030, including interest at 0.68%, payable June 1 and December 1 each year. The COP loan proceeds are limited to capital expenditures. The COP loan is a general obligation of the District and is secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the principal and interest due. At December 31, 2022, there was a liability balance of $707,000.

The COP loan provides for additional proceeds to reduce the effective interest. The proceeds during 2022 were $214,647 and $0 during 2021 and are being amortized as a reduction of interest expense over the term of the COP loan, using the effective interest method.

Leases

Agreement dated May 5, 2017 with Windswept Properties, LLC for use of a building, with payments of $10,500 through April 5, 2017. The agreement has no provision for interest; payments have been discounted at 5.87% annually.

Medicare refundable advance

The Medicare refundable advance liability consists of advanced payments received from CMS, to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The District received $7,718,114 in an advance payment during April 2020 that will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of the advanced payment. This recoupment process will continue until the balance of the advance payment has been recouped or for 29 months from the date that the advance payment was issued, at which point any remaining unpaid balance is due.

Note 9: Long-Term Debt (Continued)

The advance payments balance is non-interest-bearing through the 29-month repayment period. The outstanding balance at December 31, 2022, was $0.

Scheduled principal and interest payments on loans and bonds payable are as follows for the years ending December 31:

	Bonds Payable			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	$ 400,823	$ 47,763	$ 448,586	$ 77,720	$ 37,108	$ 114,828
2024	412,128	37,593	449,721	81,606	33,222	114,828
2025	409,375	27,272	436,647	85,686	29,142	114,828
2026	404,366	17,927	422,293	89,971	24,857	114,828
2027	123,000	8,125	131,125	94,469	20,359	114,828
2028-2032	127,000	4,127	131,127	312,704	31,779	344,483
Totals	$ 1,876,692	$ 142,807	$ 2,019,499	$ 742,156	$ 176,467	$ 918,623

Scheduled principal and interest payments on leases are as follows for the years ending December 31:

	Principal	Interest
2023	$ 100,436	$ 25,564
2024	106,492	19,508
2025	112,914	13,086
2026	119,724	6,276
2027	41,492	509
Totals	$ 481,058	$ 64,943

Note 10: Unemployment and Workers' Compensation

The District insures for unemployment insurance through the Public Hospital District Unemployment Compensation Fund and for workers' compensation benefits through the Public Hospital District Workers' Compensation Trust. Both are risk transfer pools administered by the Washington State Hospital Association. Premiums are based on prior claims history and are charged to operations as they are paid. Total unemployment insurance expense was $22,533 in 2022 and $7,279 in 2021, and the workers' compensation benefits expense was $56,279 in 2022 and $4,812 and 2021.

Note 11: Retirement Plans

Defined Contribution Plan

The District provides a defined contribution plan under Section 403(b) of the Internal Revenue Code, which is administered by Lincoln Financial Group. The name of the plan is Ocean Beach Hospital Employees Retirement Plan. The plan is funded by employee contributions, which are deposited into employee-controlled accounts established with a life insurance company. Employees below the age of 50 were allowed to contribute up to $18,500 of their annual salary in both 2022 and 2021. For employees 50 years and older, this limit is $24,500. The District matches employee contributions up to 3% of their gross wage for nonexempts (per their collective bargaining agreements) and matches exempt employee contributions up to 7.00% of their gross wages.

The District's contributions are discretionary, and in some years such contributions may not be made if not elected by the District or negotiated into employment contracts. During 2022 and 2021, employees contributed approximately **$567,000** and $567,000, respectively.

Contributions to the 403(b) plan made by the District on behalf of employees were approximately **$479,000** and $479,000 in 2022 and 2021, respectively. There were no forfeitures during 2022 and 2021.

Deferred Compensation Plan

The District also offers a Section 457 deferred compensation retirement plan, which had employee contributions of approximately $17,500 in 2022 and $25,000 in 2021. The District does not match any contributions to this plan.

Defined Benefit Plan – Multi-Employer Plan

The District contributes to a defined benefit plan, the Western Conference of Teamsters Pension Trust Fund (WCTPF), a multi-employer cost sharing pension plan. The WCTPF is administered by the Trust Administrative Offices, which represents the trustees of the plan. The pension plan issues a financial report that is available by request.

The District contributed $0.94 per hour, up to 2,080 hours, worked by Teamster employees in 2022 and 2021. The District contributed approximately **$150,000** and $150,000, in 2022 and 2021, respectively. **146** employees were covered under the plan in 2022 and 146 in 2021.

The WCTPF has two formulas for determining benefits provided.

The first is the Five-Year Average Benefit formula, which is used to determine an eligible employee's retirement benefits for service before 1987. Under this defined benefit formula, monthly retirement benefits are based on the length of an employee's service and the rate of employer contributions payable for their last five years of service. Although service after 1986 is not recognized for this formula, employer contribution rates payable for the employee's service up through the end of 1991 are recognized in determining their retirement benefits under this formula. The second formula is the Contribution Account Benefit formula.

Note 11: Retirement Plans (Continued)

It is used to determine eligible employee's retirement benefits for contributory service after 1986 and, if they are first covered by WCTPF after 1986, for their noncontributory service, whenever performed. Under this defined benefit formula, monthly retirement benefits are not based directly on an employee's length of service but instead are a function (expressed as a percentage) of the total employer contributions payable for all of the employee's service after 1986.

The benefit terms are established and may be amended by the trustees. The employer's contributions to the pension plan are determined by a collective bargaining agreement, and the trustees have the authority to establish and/or amend contribution requirements for the employer and employee.

The District can withdraw from WCTPF with provisions of the plan document. Upon withdrawal, the District would pay the withdrawal liability in full either by lump sum or on a payment schedule. If the District elects to pay on a payment schedule, the payments are subjected to interest after the first 12 payments are made. The District can elect at any time to pay a lump sum.

Defined Benefit Plan – Single-Employer Plan

Plan description - The District participates in a defined benefit plan, Pacific County Public Hospital District No.3 – Ocean Beach Retirement Plan (the "Plan"), a single-employer pension plan that covers all employees who have attained age 21 with more than six months of service. Participating employees were required to contribute 4% of monthly taxable compensation, and the District contributes all amounts in excess of employee contributions necessary to provide plan benefits. The employer-provided portion of pension contributions was vested to the employee's account at 20% after two years of service, with an annual 20% increase until fully vested after six years of service.

Benefits are generally based on years of services and average monthly earnings during the 24 consecutive months of employment that produce the highest average. The Plan has adopted a June 30 year-end.

Plan assets historically have been valued as of the last day of the plan year. Asset valuation is based on the contract value of the contribution fund, plus contributions receivable, less benefits payable. The aggregate cost method is used to determine cost, whereby the normal cost is reduced by expected employee contributions during the plan year to obtain the recommended employer normal costs. Normal cost is determined by allocating the excess of the present value of projected benefits of the participants over the actuarial value of assets on a level basis over the earnings of the participants from the valuation date to assumed retirement dates. This allocation is performed for the group as a whole, not as a sum of individual allocations.

The Plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year the contributions are required to be made, and benefits and refunds are recognized as an expense and a liability when due and payable. Administrative costs are financed through contributions and investment income. The Plan does not issue a standalone financial report and is not included in the report of a public employee retirement system or a report of another entity.

Note 11: Retirement Plans (Continued)

Plan membership - The Plan has been frozen since 2000, with 13 remaining participants at the measurement date.

Benefits provided - Effective December 31, 2006, no new participants could enter the Plan. Prior to December 31, 2006, all full-time employees of the District who were age 21 or older with more than six months of eligible service were eligible to participate in the Plan on the first day of the month that coincided with, or next following, their first day of employment.

Pension provisions include death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 55 even though they were unable to work up to the retirement age. Benefits vest at 100 percent after six years of service.

Contributions and funding policy - The Plan has not been terminated or settled as defined by GAAP because the plan participants have received neither lump sum nor annuity contracts in exchange for their rights to receive pension benefits. Since the Plan has been frozen, there is no annual required contribution, but the unfunded portion (the District's liability) is actuarially calculated each year.

No contributions were required (required contribution rate of zero) during the plan years ended June 30, 2022 and 2021. The Board of Commissioners established and has the authority to amend the District's obligation to contribute, but statutory requirements make the District liable for the unfunded portion of the Plan.

Deposits and Investments

Investment policy - The Plan's investment policy authorizes the Plan to invest in all investments allowed by State statute. These include deposits/investments in insured commercial banks; savings and loan institutions; interest-bearing obligations of the U.S. Treasury and U.S. agencies; interest-bearing bonds of the State of Washington or any county, township, or municipal corporation of the State of Washington; money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies; mutual funds; and Washington Local Agency Investment Funds (created by the state legislature under the control of the State Treasurer and maintaining a $1 per-share value, which is equal to the participant's fair value). During the year, there were no changes to the investment policy.

Investment valuations - Investments with a maturity of less than one year when purchased, nonnegotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. All other investments in the Plan are stated at fair value and are recorded as of the trade date. The Plan categorizes the fair value measurements within the fair value hierarchy established by GAAP, as discussed in Note 3.

Custodial credit risk for deposits - The Plan's investment policies do not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for each plan member for the Plan's deposits with financial institutions.

Note 11: Retirement Plans (Continued)

Credit risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy limits investment choices by credit rating.

Custodial credit risk for investments - The Plan's investment policy allows the broker/dealer (counterparty) to maintain custody over the investments they purchase, which exposes the investments to custodial credit risk. The policy requires the broker/dealer that serves as custodian to provide the Plan with an excess Securities Investor Protection Corporation (SIPC) policy to mitigate the exposure to custodial credit risk. Also, the Plan limits its exposure by requiring the investment broker/custodian to acquire an excess SIPC policy to provide the same coverage for the portfolio as would be provided by the SIPC.

Concentration of credit risk - The Plan's investment policy does not limit the plan's assets to reduce the risk of large losses by limiting the percentage of investments that may be held by one issuer. Substantially all of the Plan's assets are held with one issuer.

Investment rate of return - For the year ended June 30, 2022 the annual money-weighted rate of return on Plan investments, net of investment expense, was 0.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability - At June 30, 2022 and 2021, the District reported a net pension liability for the Plan of $903,465 and $1,044,966, respectively. The Plan's net pension liability was measured as of June 30, 2022 and 2021, and the Plan's total pension liability used to calculate the Plan's net pension liability was determined by an actuarial valuation as of that date.

Note 11: Retirement Plans (Continued)

Actuarial assumptions - The total pension liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial assumptions:

	The Plan
Actuarial valuation date	July 1, 2022
Measurement date	June 30, 2022
Actuarial cost method	Individual Entry-Age Normal Cost Method
Assumptions:	
Discount rate	Assuming employees continue to contribute 4% of pay and the Hospital does not contribute any additional amount, the Plan's projected fiduciary net position is insufficient to make all projected future benefit payments of current plan participants. Projected benefit payments expected to be paid after funds become insufficient are discounted based on the Fidelity General Obligation AA- 20-year Bond index.
June 30, 2021 and July 1, 2021	2.19%. The expected long-term rate of return was applied to expected benefit payments from 2021 through 2032. A municipal bond rate of 3.69% was used to discount projected benefit payments thereafter.
June 30, 2022 and July 1, 2022	3.00%. The expected long-term rate of return was applied to expected benefit payments from 2022 through 2032. A municipal bond rate of 1.92% was used to discount projected benefit payments thereafter.
Investment rate of return	3.00% for June 30, 2022, and July 1, 2022

Note 11: Retirement Plans (Continued)

Long-term expected rate of return - It is the policy of the Plan to invest its funds with care, skill, prudence, and diligence using the "prudent person" standard for managing the overall portfolio. The long-term expected rate of return on the Plan's investments was determined using the building block method in which expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major assets class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then by adding expected inflation. The target allocation and expected arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Guaranteed investment contracts	100 %	0.75 %	0.75 %
Inflation			2.25
Investment rate of return			3.00 %

Changes in the plan net pension liability - Changes in the net pension liability consisted of the following:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance as of June 30, 2021	$ 2,456,604	$ 1,411,638	$ 1,044,966
Changes for the year:			
Service cost incurred	-	-	-
Interest on total pension liability	51,658	-	51,658
Differences between expected and actual experience	34,072	-	34,072
Changes in assumptions	(185,915)	-	(185,915)
Benefit payments	(149,062)	(149,062)	-
Contributions - Employee	-	-	-
Net investment income	-	41,316	(41,316)
Current-year net changes	(249,247)	(107,746)	(141,501)
Balance as of June 30, 2022	$ 2,207,357	$ 1,303,892	$ 903,465

Note 11: Retirement Plans (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance as of June 30, 2020	$ 2,404,636	$ 1,515,499	$ 889,137
Changes for the year:			
Service cost incurred	-	-	-
Interest on total pension liability	62,322	-	62,322
Differences between expected and actual experience	18,849	-	18,849
Changes in assumptions	119,860	-	119,860
Benefit payments	(149,063)	(149,063)	-
Contributions - Employee	-	-	-
Net investment income	-	45,202	(45,202)
Current-year net changes	51,968	(103,861)	155,829
Balance as of June 30, 2021	$ 2,456,604	$ 1,411,638	$ 1,044,966

Discount rate sensitivity analysis - The following presents the net pension liability of the District's Plan, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Net pension liability as of June 30, 2022	$ 1,132,006	$ 903,465	$ 709,049

	1% Decrease 1.19%	Current Discount Rate 2.19%	1% Increase 3.19%
Net pension liability as of June 30, 2021	$ 1,323,665	$ 1,044,966	$ 810,431

Plan pension expense and deferred items summary - The District recognized pension expense (income) of $180,868 and $(123,483) in 2022 and 2021, respectively.

Note 11: Retirement Plans (Continued)

The District reported deferred outflows of resources related to pensions from the following sources:

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ -
Differences between projected and actual investment earnings	15,282	-
Totals	$ 15,282	$ -

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

Years Ending June 30,	Recognized in Pension Expense
2023	$ 10,959
2024	5,127
2025	(592)
2026	(212)
Total	$ 15,282

Note 12: Commitments and Contingencies

The District has its professional liability insurance coverage with Lexington Insurance Company. This policy provides protection on a claims-made basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policy. If there are occurrences in the current year, these will be covered only 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.

Current coverage with a $25,000 deductible is for $1,000,000 per occurrence subject to a $5,000,000 annual limit, plus an additional $5,000,000 annual excess coverage. It is possible that claims may exceed coverage obtained in any given year.

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.

Note 12: Commitments and Contingencies (Continued)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

In addition, the District is committed to licensing and maintenance agreements for its accounting software. Annual fees associated with accounting software agreements are $169,109.

Note 13: Charity Care

The District provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of the District, healthcare is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated to $220,170 and $251,073 for the years ended December 31, 2022 and 2021, respectively.

The estimated cost of providing care to patients under the District's charity care policy aggregated approximately $156,000 in 2022 and $139,000 in 2021. The cost was calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care.

Note 14: COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Management is evaluating the impact of the circumstances described above in relation to how these measures could have a prolonged, negative impact on the finances and operations of the District.

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

Note 14: COVID-19 Pandemic (Continued)

During 2020, the District received $5,134,446 in grant funding from the HHS Provider Relief Fund (PRF), which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse or by incurring lost revenues, defined as a negative change in year-over-year net patient and resident service revenue. The District recognized $448,391 and $4,986,062 in grant income for the years ended December 31, 2022 and 2021 attributable to the PRF, respectively. $0 and $148,384 was reported as unearned revenue at December 31, 2022 and 2021, respectively.

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Schedule of Changes in the Net Pension Liability and Related Ratios and Employer Contributions - Pension Plan

Last 10 Fiscal Years (If Available)

Measurement date: June 30,	2022	2021	2020	2019
Pension liability:				
Service cost incurred	$ -	$ -	$ 19,032	$ 16,529
Interest on total pension liabilities	51,658	62,322	87,931	88,475
Differences between expected and actual experience	34,072	18,849	6,396	40,920
Changes in assumptions	(185,915)	119,860	363,857	27,393
Benefit payments	(149,062)	(149,063)	(112,997)	(91,323)
Net change in total pension liability	(249,247)	51,968	364,219	81,994
Total pension liability - Beginning of year	2,456,604	2,404,636	2,040,417	1,958,423
Total pension liability - End of year (a)	2,207,357	2,456,604	2,404,636	2,040,417
Plan net position -				
Contributions - Employee	-		3,786	4,857
Net investment income	41,316	45,20	48,049	49,447
Benefit payments	(149,062	(149,06	(112,997	(91,323
Net changes in plan net position	(107,746	(103,86	(61,162	(37,019
Plan net position - Beginning of year	1,411,638	1,515,49	1,576,661	1,613,680
Plan net position - End of year (b)	1,303,892	1,411,63	1,515,499	1,576,661
Net pension liability - End of year (a)-(b)	$ 903,465	$ 1,044,96	$ 889,137	$ 463,756
Plan fiduciary net position as a percentage of the total pension liability	59.1 %	57.5	63.0 %	77.3 %
Covered payroll	$ -	$	$ 94,650	$ 121,420
Net pension liability as a percentage of covered payroll	0.0 %	0.0	939.4 %	381.9 %

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Schedule of Changes in the Net Pension Liability and Related Ratios and Employer Contributions - Pension Plan (Continued)

Last 10 Fiscal Years (If Available)

Measurement date: *June 30,*	2018	2017	2016
Pension liability:			
Service cost incurred	$ 14,592	$ 22,280	$ 18,853
Interest on total pension liabilities	87,029	85,237	86,232
Differences between expected and actual experience	(39,969)	(1,263)	27,839
Change in assumptions	86,786	(18,117)	54,380
Benefit payments	(79,242)	(89,946)	(90,988)
Benefits payable	-	(229)	-
Net change in total pension liability	69,196	(2,038)	96,316
Total pension liability - Beginning of year	1,889,227	1,891,265	1,794,949
Total pension liability - End of year (a)	1,958,423	1,889,227	1,891,265
Plan net position:			
Contribution -			
Employee	6,095	6,518	6,522
Net investment income	50,357	51,144	52,292
Benefit payments	(79,242)	(90,175)	(90,988)
Net change in plan net position	(22,790)	(32,513)	(32,174)
Plan net position - Beginning of year	1,636,470	1,668,983	1,701,157
Plan net position - End of year (b)	1,613,680	1,636,470	1,668,983
Net pension liability - End of year (a) - (b)	$ 344,743	$ 252,757	$ 222,282
Plan fiduciary net position as a percentage of the total pension liability	82.4 %	86.6 %	88.2 %
Covered payroll	$ 152,375	$ 162,948	$ 163,057
Net pension liability as percentage of covered payroll	226.2 %	155.1 %	136.3 %

Public Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Schedule of Changes in the Net Pension Liability and Related Ratios and Employer Contributions - Pension Plan

Last 10 Fiscal Years

Years Ended June 30,	Actuarially determined contribution	Contributions in relation to the actuarially determined contributions	Contribution deficiency	Covered employee payroll	Contributions as a percentage of covered payroll
2022	$ 62,685	$ -	$ 62,685	$ -	N/A
2021	55,723	-	55,723	-	N/A
2020	376,297	-	376,297	-	N/A
2019	155,164	-	155,164	121,420	0 %
2018	74,894	-	74,894	152,375	0 %
2017	60,655	-	60,655	162,948	0 %
2016	29,162	-	29,162	163,057	0 %
2015	28,776	-	28,776	159,105	0 %
2014	N/A	-	-	174,532	0 %
2013	N/A	-	-	124,681	0 %

Notes to Schedule:

Estimated based on employee contributions received during the period.

Valuation date:	July 1, 2022
Single-employer plan	Individual Entry-Age Normal Cost Method
Amortization method	Amortization payments are calculated as the amount needed to fund the unfunded actuarial accrued liability, together with interest, in equal annual installments over a rolling amortization period equal to the average expected remaining service period for active plan participants.
Asset valuation method	Fair value
Investment rate of return	3.00%

Public Hospital District 3 of Pacific County
d/b/a Ocean Beach Hospital

Schedule of Investment Returns - Pension Plan

Last 10 Fiscal Years (If Available)

June 30,	Rate of Return
2022	3.00%
2021	**3.13%**
2020	**3.13%**
2019	**3.14%**
2018	**3.14%**
2017	**3.15%**
2016	**3.15%**
2015	**3.15%**

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

Public Hospital District 3 of Pacific County
d/b/a Ocean Beach Hospital

Schedule of Employer's Required Contributions - Multi-Employer Plan

Last 10 Fiscal Years (If Available)

Years Ended December 31,	Per-Hour Rate	Approximate Contributions
2016	$ 0.40	$ 94,000
2017	0.73	92,000
2018	0.84	150,000
2019	0.94	173,000
2020	1.00	160,000
2021	1.00	146,000
2022	1.00	146,000

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

Pacific County Public Healthcare Services District No. 3
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Dept of Health)	Small Rural Hospital Improvement Grant Program	93.301	HSP26288-APR22	12,377	-	12,377	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	1,252,130	1,252,130	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		-	448,391	448,391	-	
			Total Federal Awards Expended:	**12,377**	**1,700,521**	**1,712,898**	**-**	

The accompanying notes are an integral part of this schedule.

Pacific Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Pacific Hospital District 3 of Pacific County d/b/a Ocean Beach Hospital (the District). 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 (the "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 position, or cash flows of the District.

Note 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 reimbursement. Provider Relief Funding (PRF) is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the Schedule for PRF are based on the PRF period of availability, terms, and conditions of the PRF program, and amounts reported in the PRF portal for the reporting period 4, due March 31, 2023.

Note 3: Federal Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: COVID-19 Testing and Mitigation for Rural Health Clinics

The District identified and expended $148,291 of qualifying expenditures as of December 31, 2021, and another $300,000 in qualifying expenditures as of December 31, 2022. Due to uncertainty of the program and overall reporting requirements, the District elected not to recognize the entire amount into revenue until December 31, 2022, in order to maintain a contingency for any potential unknowns.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- Find your audit team
- Request public records
- Search BARS Manuals (GAAP and cash), and find reporting templates
- Learn about our training workshops and on-demand videos
- Discover which governments serve you — enter an address on our map
- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov