



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

March 4, 2024

Board of Commissioners
Columbia Basin Hospital
Ephrata, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of Columbia Basin Hospital for the fiscal years ended December 31, 2022 and 2021. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or Columbia Basin Hospital's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital (the District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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 for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated June 20, 2022, which has not been included with the 2022 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 20, 2023

Grant County Public Hospital No. 3
doing business as Columbia Basin Hospital
Statements of Net Position
December 31, 2022 and 2021

ASSETS	2022	2021
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,818,223	\$ 10,294,943
Receivables:		
Patient accounts	3,526,355	2,323,391
Taxes	13,941	13,011
Estimated third-party payor settlements	884,000	274,933
Other	-	30,684
Inventories	199,688	149,887
Prepaid expenses	843,015	1,285,837
Cash and cash equivalents limited as to use	510,070	381,905
Taxes receivable limited as to use	29,364	27,550
Total current assets	8,824,656	14,782,141
<i>Noncurrent assets</i>		
Cash and cash equivalents limited as to use	7,180,627	2,447,790
Capital assets, net of accumulated depreciation and amortization	15,515,231	16,162,218
Total noncurrent assets	22,695,858	18,610,008
Total assets	\$ 31,520,514	\$ 33,392,149

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Net Position (Continued)
December 31, 2022 and 2021

LIABILITIES AND NET POSITION	2022	2021
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 687,767	\$ 639,503
Current maturities of lease liabilities	49,379	46,300
Accounts payable	482,766	610,624
Capital accounts payable	335,307	-
Estimated third-party payor settlements	-	162,660
Accrued compensation and related liabilities	422,633	423,695
Accrued vacation	483,602	643,716
Accrued interest payable	62,505	64,399
Total current liabilities	2,523,959	2,590,897
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	13,763,287	14,447,454
Lease liabilities, less current maturities	71,424	118,166
Total noncurrent liabilities	13,834,711	14,565,620
Total liabilities	16,358,670	17,156,517
<i>Net position</i>		
Net investment in capital assets	545,562	846,396
Restricted for debt service	539,434	409,455
Unrestricted	14,076,848	14,979,781
Total net position	15,161,844	16,235,632
Total liabilities and net position	\$ 31,520,514	\$ 33,392,149

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Operating revenues</i>		
Net patient service revenue	\$ 20,876,798	\$ 18,873,230
340B contract pharmacies	229,862	538,596
Grants	7,423	87,340
Other	149,452	103,581
Total operating revenues	21,263,535	19,602,747
<i>Operating expenses</i>		
Salaries and wages	10,078,825	9,651,507
Employee benefits	2,179,243	2,015,143
Professional fees	4,658,852	3,186,360
Supplies	1,761,817	1,860,225
Utilities	202,059	189,194
Purchased services	1,970,623	1,968,828
Insurance	273,595	191,822
Leases and rentals	45,000	47,170
Depreciation and amortization	1,833,944	1,838,410
Other	467,463	302,330
Total operating expenses	23,471,421	21,250,989
Operating loss	(2,207,886)	(1,648,242)
<i>Nonoperating revenues (expenses)</i>		
Taxation for bond principal and interest	1,124,550	1,088,489
Taxation for maintenance and operations	558,409	537,926
Interest income	128,924	57,875
Interest expense	(715,285)	(748,336)
CARES Act Provider Relief Fund	-	1,092,833
COVID-19 grants	-	408,492
Donations	37,500	39,409
Total nonoperating revenues, net	1,134,098	2,476,688
Change in net position before gain on forgiveness of Paycheck Protection Program loan	(1,073,788)	828,446
Gain on forgiveness of Paycheck Protection Program loan	-	1,925,100
Change in net position	(1,073,788)	2,753,546
Net position, beginning of year	16,235,632	13,482,086
Net position, end of year	\$ 15,161,844	\$ 16,235,632

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 18,902,107	\$ 19,972,434
Receipts from 340B contract pharmacies	260,546	560,269
Receipts from grants	7,423	87,340
Other receipts	149,452	103,581
Payments to and on behalf of employees	(12,419,244)	(11,587,173)
Payments to suppliers and contractors	(9,100,246)	(7,289,506)
Net cash from operating activities	(2,199,962)	1,846,945
<i>Cash flows from noncapital financing activities</i>		
Taxation for maintenance and operations	557,479	547,136
Receipts of CARES Act Provider Relief Fund	-	1,092,833
Receipts of COVID-19 grants	-	408,492
Repayments of Medicare accelerated payments	-	(711,462)
Noncapital contributions	37,500	39,409
Net cash from noncapital financing activities	594,979	1,376,408
<i>Cash flows from capital and related financing activities</i>		
Taxation for bond principal and interest	1,122,736	1,105,283
Principal paid on long-term debt and capital lease obligations	(679,566)	(887,959)
Interest paid on long-term debt and capital lease obligations	(717,179)	(750,071)
Purchase of capital assets	(865,650)	(187,295)
Net cash from capital and related financing activities	(1,139,659)	(720,042)
<i>Cash flows from investing activities</i>		
Interest received	128,924	57,875
Net change in cash and cash equivalents	(2,615,718)	2,561,186
Cash and cash equivalents, beginning of year	13,124,638	10,563,452
Cash and cash equivalents, end of year	\$ 10,508,920	\$ 13,124,638

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 2,818,223	\$ 10,294,943
Cash and cash equivalents limited as to use in current assets	510,070	381,905
Cash and cash equivalents limited as to use in noncurrent assets	7,180,627	2,447,790
Total cash and cash equivalents	\$ 10,508,920	\$ 13,124,638
<i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i>		
Operating loss	\$ (2,207,886)	\$ (1,648,242)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	1,833,944	1,838,410
Provision for bad debts	752,877	460,569
(Increase) decrease in assets:		
Patient accounts receivable	(1,955,841)	(450,855)
Estimated third-party payor settlements	(609,067)	926,830
Other receivables	30,684	21,673
Inventories	(49,801)	(13,595)
Prepaid expenses	442,822	389,020
Increase (decrease) in liabilities:		
Accounts payable	(113,858)	80,998
Estimated third-party payor settlements	(162,660)	162,660
Accrued compensation and related liabilities	(1,062)	(29,750)
Accrued vacation	(160,114)	109,227
Net cash from operating activities	\$ (2,199,962)	\$ 1,846,945

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements
Years Ended December 31, 2022 and 2021

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

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

The District operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from payment of federal income tax. The Board of Commissioners consists of five community members elected to six-year terms.

Related organization – The Columbia Basin Hospital Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the District. The Foundation is not material to the District and is therefore not reported as a component unit of the District.

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

b. Summary of Significant Accounting Policies

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

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

Cash and cash equivalents – Electronic funds transfer (EFT) cash receipts are deposited to the District's depository account at a bank. Periodically, such cash is transferred to the Grant County Treasurer (Treasurer) who acts as the District Treasurer. Non-EFT cash receipts are deposited directly to the Treasurer. Warrants are issued by the District against the cash placed with the Treasurer. The Treasurer invests cash in interest-bearing investments at the discretion of the District. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates of less than 90 days as cash and cash equivalents.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

b. Summary of Significant Accounting Policies (continued)

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

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

Assets limited as to use – Assets limited as to use primarily include certain cash and other assets limited under debt indentures and by the Board of Commissioners for future bond principal and interest payments and for future capital improvements, over which the Board retains control and could subsequently use for other purposes.

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

Land improvements	8 to 20 years
Buildings and improvements	2 to 40 years
Equipment	2 to 25 years
Leased right-of-use equipment	5 to 6 years

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

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

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

b. Summary of Significant Accounting Policies (continued)

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

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

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

Change in accounting principles – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee’s right to use the leased asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

When the District adopted GASB No. 87, *Leases*, the District elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. The adoption had no material impact on the statement of net position or on the statement of revenues, expenses, and changes in net position. See Note 6 for additional information on the District’s leases.

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

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

b. Summary of Significant Accounting Policies (continued)

Reclassifications – Certain reclassifications have been made to the 2021 financial statements to conform with the 2022 presentation. These classifications had no effect on the previously reported change in net position.

Subsequent events – Subsequent events have been reviewed through October 20, 2023, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

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

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

The *Revised Code of Washington*, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. Amounts invested in the Grant County Investment Pool at December 31, 2022 and 2021, were \$10,313,814 and \$12,217,438, respectively. The Grant County Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

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

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

3. Patient Accounts Receivable:

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

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

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

	2022	2021
Receivables from patients and their insurance carriers	\$ 1,235,001	\$ 1,529,726
Receivables from Medicare	1,425,250	874,600
Receivables from Medicaid	1,513,104	777,065
Total patient accounts receivable	4,173,355	3,181,391
Less allowance for uncollectible accounts	647,000	858,000
Patient accounts receivable, net	\$ 3,526,355	\$ 2,323,391

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

4. Assets Limited as to Use:

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

	2022	2021
<i>Current assets</i>		
Under bond agreement for bond principal and interest payment:		
Cash and cash equivalents	\$ 510,070	\$ 381,905
Taxes receivable	29,364	27,550
Total current assets	539,434	409,455
<i>Noncurrent assets</i>		
Internally designated by Board for capital additions and replacements, cash and cash equivalents	7,180,627	2,447,790
Total assets limited as to use	\$ 7,720,061	\$ 2,857,245

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Capital Assets:

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

	Balance December 31, 2021		Additions	Retirements	Transfers	Balance December 31, 2022		
<i>Capital assets not being depreciated or amortized</i>								
Land	\$	99,457	\$	-	\$	-	\$	99,457
Construction in progress		29,114		601,509		-		630,623
Total capital assets not being depreciated or amortized		128,571		601,509		-		730,080
<i>Capital assets being depreciated or amortized</i>								
Land improvements		323,239		61,273		-		384,512
Buildings and improvements		24,474,026		236,540		-		24,710,566
Equipment		9,244,165		287,635		-	(253,117)	9,278,683
Leased right-of-use equipment		-		-		-	253,117	253,117
Total capital assets being depreciated or amortized		34,041,430		585,448		-	-	34,626,878
<i>Less accumulated depreciation and amortization for</i>								
Land improvements		144,122		46,622		-	-	190,744
Buildings and improvements		12,201,003		989,474		-	-	13,190,477
Equipment		5,662,658		797,848		-	(158,198)	6,302,308
Leased right-of-use equipment		-		-		-	158,198	158,198
Total accumulated depreciation and amortization		18,007,783		1,833,944		-	-	19,841,727
<i>Total capital assets being depreciated or amortized, net</i>		16,033,647		(1,248,496)		-	-	14,785,151
Capital assets, net	\$	16,162,218	\$	(646,987)	\$	-	\$	15,515,231

Construction in progress at December 31, 2022, consisted primarily of a kitchen and emergency room remodel, which is estimated to be completed in February 2025 with approximately \$5,104,000 of additional costs to complete, funded through the District's funded depreciation.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Capital Assets (continued):

	Balance December 31,				Balance December 31,	
	2020	Additions	Retirements	Transfers	2021	
<i>Capital assets not being depreciated</i>						
Land	\$ 99,457	\$ -	\$ -	\$ -	\$ 99,457	
Construction in progress	1,784	27,330	-	-	29,114	
Total capital assets not being depreciated	101,241	27,330	-	-	128,571	
<i>Capital assets being depreciated</i>						
Land improvements	186,843	136,396	-	-	323,239	
Buildings and improvements	24,474,026	-	-	-	24,474,026	
Equipment	9,220,595	23,570	-	-	9,244,165	
Total capital assets being depreciated	33,881,464	159,966	-	-	34,041,430	
<i>Less accumulated depreciation for</i>						
Land improvements	133,529	10,593	-	-	144,122	
Buildings and improvements	11,192,554	1,008,449	-	-	12,201,003	
Equipment	4,843,289	819,369	-	-	5,662,658	
Total accumulated depreciation	16,169,372	1,838,411	-	-	18,007,783	
<i>Total capital assets being depreciated, net</i>	17,712,092	(1,678,445)	-	-	16,033,647	
Capital assets, net	\$ 17,813,333	\$ (1,651,115)	\$ -	\$ -	\$ 16,162,218	

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

6. Long-term Debt and Lease Liabilities:

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

	Balance			Balance			Amounts
	December 31,			December 31,			Due Within
	2021	Additions	Reductions	2022	One Year		
Long-term debt							
2012 UTGO Bonds	\$ 11,375,000	\$ -	\$ (385,000)	\$ 10,990,000	\$ 425,000		
2012 UTGO Bonds Premium	357,569	-	(22,823)	334,746	22,824		
2017 LTGO Bonds	3,354,388	-	(228,080)	3,126,308	239,943		
Total long-term debt	15,086,957	-	(635,903)	14,451,054	687,767		
Lease liabilities							
Pharmacy equipment	87,399	-	(21,867)	65,532	25,214		
Laboratory equipment	77,067	-	(21,796)	55,271	24,165		
Total lease liabilities	164,466	-	(43,663)	120,803	49,379		
Total long-term debt and lease liabilities	\$ 15,251,423	\$ -	\$ (679,566)	\$ 14,571,857	\$ 737,146		

	Balance			Balance			Amounts
	December 31,			December 31,			Due Within
	2020	Additions	Reductions	2021	One Year		
Long-term debt							
2008 LTGO Bonds	\$ 251,000	\$ -	\$ (251,000)	\$ -	\$ -		
2012 UTGO Bonds	11,720,000	-	(345,000)	11,375,000	385,000		
2012 UTGO Bonds Premium	380,393	-	(22,824)	357,569	22,824		
2017 LTGO Bonds	3,578,342	-	(223,954)	3,354,388	231,679		
Total long-term debt	15,929,735	-	(842,778)	15,086,957	639,503		
Capital lease obligations							
Pharmacy equipment	112,303	-	(24,904)	87,399	23,987		
Laboratory equipment	97,344	-	(20,277)	77,067	22,313		
Total capital lease obligations	209,647	-	(45,181)	164,466	46,300		
Total long-term debt and capital lease obligations	\$ 16,139,382	\$ -	\$ (887,959)	\$ 15,251,423	\$ 685,803		

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

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

- **Limited tax general obligation bonds** – The District issued limited tax general obligation (LTGO) bonds on September 24, 2008, in the original amount of \$2,156,000 to refund the District's LTGO bonds dated August 1, 1998. These bonds were paid in full during 2021.

The District issued LTGO bonds on August 31, 2017, in the original amount not to exceed \$4,000,000 to finance construction and renovation of the District's facilities. The 2017 limited tax general obligation bonds are payable semiannually on December 1 and June 1, in principal installments from \$239,670 in 2023 to \$335,541 in 2033; with semiannual interest at 3.42 percent payable June 1 and December 1 of each year.

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 upon the taxable property within the District.

- **Unlimited tax general obligation bonds** – The District issued unlimited tax general obligation (UTGO) bonds on August 30, 2012, in the original amount of \$13,000,000 to finance renovation and construction of an addition to the District's facilities. The 2012 UTGO bonds are payable annually on December 1, in varying principal installments from \$425,000 in 2023 to \$1,250,000 in 2036, with annual interest at 5.5 percent payable December 1 of each year.

The District is required to levy and collect sufficient taxes each year to pay the bond principal and interest payments due. The 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 upon the taxable property within the District. The voters of the District approved the 2012 bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

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

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

The District's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

Scheduled principal and interest repayments on the District's 2012 UTGO bonds are as follows:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 425,000	\$ 594,563	\$ 1,019,563
2024	465,000	572,250	1,037,250
2025	510,000	547,838	1,057,838
2026	560,000	521,063	1,081,063
2027	610,000	491,663	1,101,663
2028 to 2032	3,940,000	1,912,038	5,852,038
2033 to 2036	4,480,000	639,375	5,119,375
	\$ 10,990,000	\$ 5,278,790	\$ 16,268,790

Scheduled principal and interest repayments on the District's 2017 LTGO bonds and lease liabilities are as follows:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 287,322	\$ 112,389	\$ 399,711
2024	298,660	101,050	399,710
2025	273,619	89,642	363,261
2026	263,783	80,512	344,295
2027	273,009	71,286	344,295
2028 to 2032	1,514,863	206,612	1,721,475
2033	335,855	8,757	344,612
	\$ 3,247,111	\$ 670,248	\$ 3,917,359

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Paycheck Protection Program Note Payable:

In May 2020, the District was granted a loan from Banner Bank in the aggregate amount of \$1,925,100, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The District applied for PPP loan forgiveness in August 2020, and full forgiveness was approved in May 2021. The loan forgiveness is recorded as a gain on forgiveness of Paycheck Protection Program loan in the statement of revenues, expenses, and changes in net position for the year ended December 31, 2021.

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during 2022 or 2021. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2022	2021
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 8,051,973	\$ 6,679,372
Medicaid	5,224,223	4,808,425
Patients	1,857,971	2,123,644
Other third-party payors	5,874,511	5,288,060
ProShare	730,717	498,469
	21,739,395	19,397,970
Less:		
Charity care	109,720	64,171
Provision for bad debts	752,877	460,569
Net patient service revenue	\$ 20,876,798	\$ 18,873,230

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

8. Net Patient Service Revenue (continued):

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

- *Medicare* – The hospital has been designated a critical access hospital and the clinic a rural health clinic by Medicare and they are reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The Medicare program’s administrative procedures preclude final determination of amounts due to the District for such services until three years after the District’s cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule.
- *Medicaid* – The majority of Medicaid beneficiaries are covered through health maintenance organizations operated by commercial insurance companies. The District is reimbursed for inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses of the District. Reimbursement for inpatient and outpatient services rendered to Medicaid program beneficiaries is reimbursed on a cost basis as defined by the state of Washington. Medicaid swing-bed and nursing home services are reimbursed on a prospectively set rate per day. Rural health clinic services are reimbursed on a prospective rate per visit. Nonrural health clinic physician services are reimbursed on a fee schedule.
- *Other* – The hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedule, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$199,000 and \$16,000 in the years ended December 31, 2022 and December 31, 2021, respectively, due to differences between original estimates and final settlements.

The District received approximately \$730,000 and \$498,000 of Nursing Facility Proportionate Share Program (ProShare) funds during 2022 and 2021, respectively, from the state of Washington to provide services to Medicaid eligible nursing home patients.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District’s policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2022 and 2021, were \$99,000 and \$56,000, respectively. The District did not receive any gifts or grants to subsidize charity care services during 2022 or 2021.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Property Taxes:

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

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

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

The District's regular tax levy was \$0.44 per \$1,000 in 2022 and \$0.47 per \$1,000 in 2021, on a total assessed valuation of \$1,231,111,147 and \$1,113,124,735 in 2022 and 2021, respectively, for a total regular levy of \$542,680 and \$525,633 in 2022 and 2021, respectively.

The District's bond levy was \$0.93 per \$1,000 in 2022 and \$1.00 per \$1,000 in 2021 on a total assessed valuation of \$1,231,111,147 and \$1,101,868,795 in 2022 and 2021, respectively, for a total bond levy of \$1,128,658 and \$1,102,951 in 2022 and 2021, respectively.

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

10. Defined Contribution Plan:

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

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

The District also pays an additional 0.1 percent of compensation for each year of service. The contributions are vested at 20 percent after one year of service with graduated increases until vesting reaches 100 percent after five years of service. District contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the District's current period contribution requirement. The District made the required contributions of approximately \$374,000 and \$310,000 for 2022 and 2021, respectively, to the defined contribution plan.

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

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

10. Defined Contribution Plan (continued):

In addition to the defined contribution plan described above, the District provides the Columbia Basin Hospital Tax-Deferred Compensation Plan (the deferred compensation plan) to substantially all employees under Section 457 of the Internal Revenue Code. The deferred compensation plan is funded solely from employee contributions. This plan is administered by the District. Plan participants contributed approximately \$389,000 and \$452,000 in 2022 and 2021, respectively, to the deferred compensation plan.

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

11. Contingencies:

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

Risk transfer pools – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust and for workers' compensation benefits through the Public Hospital District Workers' Compensation Trust. Both trusts are risk transfer pools administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation and unemployment claims, maintenance of reserves, and administrative expenses. Premiums are charged to operations as they are incurred. Total unemployment insurance expense was \$58,999 and \$31,064 in 2022 and 2021, respectively, and total workers' compensation benefits expense was \$122,838 and \$113,321 in 2022 and 2021, respectively.

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

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

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

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

11. Contingencies (continued):

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

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

12. CARES Act Provider Relief Fund:

In April 2020, the District received \$3,975,596 of funding from the CARES Act Provider Relief Fund. In 2021, the District received additional funding of \$992,832. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. During the years ended December 31, 2022 and 2021, the District recognized \$-0- and \$992,832 of grant revenue from these funds, respectively.

13. Commitment:

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

Years Ending		Total
December 31,		
2023	\$	300,582
2024		309,600
Total commitment	\$	610,182

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

14. Concentration of Risk:

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

The mix of receivables from patients was as follows:

	2022	2021
Medicare	26 %	22 %
Medicaid	29	22
Other third-party payors	31	30
Patients	14	26
	100 %	100 %

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

SINGLE AUDIT

AUDITORS' SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 20, 2023



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of audit findings and questioned costs as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit described in the accompanying schedule of audit findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as item 2022-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 20, 2023

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards:

Internal control over the major federal program:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors’ report issued on compliance for the major federal program:

Unmodified

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

 X yes no

Identification of major federal program:

Federal Assistance Listing Number

Name of Federal Program or Cluster

93.498

Provider Relief Fund and
American Rescue Plan (ARP) Rural Distribution

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

Auditee qualified as low-risk auditee?

 yes X no

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2022

Section II – Financial Statement Findings

No matters were reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

2022-001	Provider Relief Fund Reporting of Lost Revenues
<i>Federal Agency</i>	Department of Health and Human Services
<i>Assistance Listing Number</i>	93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
<i>Criteria</i>	[X] Compliance Finding [] Significant Deficiency [X] Material Weakness Under the terms and conditions of the award, the recipient certifies it will include actual net patient service revenue in its calculation of lost revenue.
<i>Condition</i>	Net patient service revenue used to calculate lost revenue was overstated. Lost revenue could not be agreed to supporting documents. As a result, lost revenue was not accurately reported.
<i>Context</i>	This finding appears to be an isolated problem.
<i>Cause</i>	The District prepared its lost revenue calculation before adjustments for estimated third-party payor settlements were posted. The District also could not reconcile amounts claimed to supporting documents.
<i>Effect</i>	Lost revenue was not accurately reported. If the adjustment for estimated third-party payor settlements was accurately reflected in the calculation, the District would still have sufficient healthcare-related expenses attributable to coronavirus and lost revenues to use all of the Provider Relief Funds received. Therefore, there is no effect on the District's retention of the Provider Relief Funds.
<i>Recommendation</i>	We recommend the District correct its lost revenue calculation in subsequent period reporting for the Provider Relief Fund, and that the District maintain supporting documents and calculations for lost revenue.
<i>Views of responsible officials and planned corrective action</i>	This issue was an isolated issue related to the timing of the final close of the 2022 financials occurring after Provider Relief Fund reporting deadline. We strongly believe this issue will not likely occur again.

AUDITEE'S SECTION

**Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:			
HRSA COVID-19 Claims and Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	COVID-19	\$ 2,115
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	COVID-19	992,832
Total expenditures of federal awards			\$ 994,947

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

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital (the District) under programs of the federal government for the year ended December 31, 2022. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the December 31, 2022, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

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

**Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Corrective Action Plan
Year Ended December 31, 2022**



200 Nat Washington Way
Ephrata, WA 98823
509-754-4631 FAX: 509-754-4809

The current year Schedule of Audit Findings and Questioned Costs reported no matters in Section II – Financial Statement Findings and one matter in Section III – Federal Award Findings.

Current year audit findings

2022-001

Gross Patient Revenues Included in Lost Revenue Calculation

***Corrective action
planned:***

Ensure independent audit of financial statements is performed and finalized prior to Provider Relief Fund or other relevant filing deadlines to ensure completeness of revenue calculation.

***Anticipated completion
date:***

12/31/2023

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

Anthonie Zimmermann, CFO

**Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2022**

2021-001 Auditor Detected Adjusting Journal Entries

Status: Corrected

2021-002 Gross Patient Revenues Included in Lost Revenue Calculation

Status: Corrected