



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

February 29, 2024

Board of Commissioners  
Three Rivers Hospital  
Brewster, 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 Three Rivers 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 Three Rivers 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

***Americans with Disabilities***

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**Okanogan-Douglas Counties  
Public Hospital District No. 1  
doing business as  
Three Rivers Hospital**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2022 and 2021



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

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Okanogan-Douglas Counties Public Hospital District No. 1  
doing business as Three Rivers Hospital  
Brewster, Washington

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

#### ***Opinion***

We have audited the accompanying financial statements of Okanogan-Douglas Counties Public Hospital District No. 1 doing business as Three Rivers 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 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### ***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 GAAS. 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 August 15, 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 September 21, 2022, which has not been included with the 2021 financial and compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Spokane Valley, Washington  
August 15, 2023

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Basic Statements of Net Position**  
**December 31, 2022 and 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 5,031,081	\$ 6,445,599
Receivables:		
Patient accounts	3,933,255	4,487,644
Taxes	105,338	105,547
Other	3,720	71,831
Inventories	243,206	241,482
Prepaid expenses	263,050	306,600
Total current assets	9,579,650	11,658,703
<i>Noncurrent assets</i>		
Capital assets, net of accumulated depreciation	2,495,537	2,597,030
<b>Total assets</b>	<b>\$ 12,075,187</b>	<b>\$ 14,255,733</b>

*See accompanying notes to basic financial statements.*

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Basic Statements of Net Position (Continued)**  
**December 31, 2022 and 2021**

<b>LIABILITIES AND NET POSITION</b>	<b>2022</b>	<b>2021</b>
<i>Current liabilities</i>		
Accounts payable	\$ 1,275,982	\$ 694,447
Current maturities of long-term debt	-	152,330
Current maturities of lease liabilities	287,732	288,864
Accrued compensation and related liabilities	155,689	132,538
Unearned COVID-19 grants	795,258	799,321
Accrued leave	278,281	388,936
Medicare extended repayment plan	-	1,217,000
Estimated third-party payor settlements	194,043	15,993
Medicare accelerated payments payable	-	1,524,291
Total current liabilities	2,986,985	5,213,720
<i>Noncurrent liabilities</i>		
Lease liabilities, less current maturities	340,820	628,655
Paycheck Protection Program note payable	-	1,267,438
Total noncurrent liabilities	340,820	1,896,093
Total liabilities	3,327,805	7,109,813
<i>Net position</i>		
Invested in capital assets, net of related debt	1,866,985	1,527,181
Unrestricted	6,880,397	5,618,739
Total net position	8,747,382	7,145,920
<b>Total liabilities and net position</b>	<b>\$ 12,075,187</b>	<b>\$ 14,255,733</b>

*See accompanying notes to basic financial statements.*



**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Basic 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	\$ 14,749,721	\$ 14,880,350
Grants	302,408	145,524
Other	102,834	67,724
Total operating revenues	15,154,963	15,093,598
<i>Operating expenses</i>		
Salaries and wages	6,745,155	7,013,119
Employee benefits	1,501,704	1,465,825
Medical and other supplies	1,704,651	1,577,807
Purchased services	5,954,602	4,680,434
Utilities	222,985	209,479
Repairs and maintenance	625,881	525,690
Rentals and leases	119,784	170,912
Depreciation and amortization	633,321	598,772
Insurance	253,608	206,856
Other	479,787	567,908
Total operating expenses	18,241,478	17,016,802
<i>Operating loss</i>	(3,086,515)	(1,923,204)
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	2,674,934	2,553,629
Contributions	257,834	94,563
Interest expense	(58,866)	(63,006)
CARES Act Provider Relief Fund	546,637	-
Total nonoperating revenues, net	3,420,539	2,585,186
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan	334,024	661,982
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,267,438	1,271,500
Change in net position	1,601,462	1,933,482
Net position, beginning of year	7,145,920	5,212,438
<b>Net position, end of year</b>	<b>\$ 8,747,382</b>	<b>\$ 7,145,920</b>

*See accompanying notes to basic financial statements.*

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Basic Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 14,265,160	\$ 13,345,834
Receipts from grants	302,408	145,524
Other receipts	170,945	267,391
Payments to and on behalf of employees	(8,334,363)	(8,461,593)
Payments to suppliers and contractors	(8,737,937)	(8,238,179)
Net cash from operating activities	(2,333,787)	(2,941,023)
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	2,675,143	2,542,468
Contributions	257,834	94,805
Interest paid on outstanding warrants	-	(381)
Proceeds from COVID-19 grants	442,574	352,684
Proceeds from CARES Act Provider Relief Fund	100,000	446,637
Proceeds from Paycheck Protection Program	-	1,267,438
Repayment of Medicare accelerated payments	(1,524,291)	(958,993)
Net cash from noncapital financing activities	1,951,260	3,744,658
<i>Cash flows from capital and related financing activities</i>		
Principal paid on long-term debt and lease liabilities	(441,297)	(434,915)
Interest paid on long-term debt and lease liabilities	(58,866)	(62,625)
Purchase of capital assets	(531,828)	(299,177)
Net cash from capital and related financing activities	(1,031,991)	(796,717)
Net change in cash and cash equivalents	(1,414,518)	6,918
Cash and cash equivalents, beginning of year	6,445,599	6,438,681
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,031,081</b>	<b>\$ 6,445,599</b>

*See accompanying notes to basic financial statements.*

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Basic Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b><i>Reconciliation of Operating Loss to Net Cash from Operating Activities</i></b>		
Operating loss	\$ (3,086,515)	\$ (1,923,204)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	633,321	598,772
Provision for bad debts	788,596	1,040,053
(Increase) decrease in assets:		
Receivables:		
Patient accounts receivable	(1,451,207)	(2,569,278)
Estimated third-party payor settlements	-	(72,047)
Other	68,111	199,667
Inventories	(1,724)	(27,146)
Prepaid expenses	43,550	(103,488)
Increase (decrease) in liabilities:		
Accounts payable	581,535	(168,459)
Accrued compensation and related liabilities	23,151	8,710
Accrued leave	(110,655)	8,641
Estimated third-party payor settlements	178,050	66,756
<b>Net cash from operating activities</b>	<b>\$ (2,333,787)</b>	<b>\$ (2,941,023)</b>

***Noncash Capital and Related Financing Activities***

In 2021, the District financed \$1,217,000 to its Medicare Administrative contractor. The loan was repaid as of July 2022.

*See accompanying notes to basic financial statements.*

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers 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**

Okanogan-Douglas Counties Public Hospital District No. 1 doing business as Three Rivers Hospital (the District) operates a 25-bed acute care hospital and a physician clinic. The District provides healthcare services to patients in the Brewster, Washington, area. Services provided include acute care hospital, emergency room, physician 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 paying federal income taxes. The Board of Commissioners consists of five community members elected to six-year terms.

**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*** – All cash receipts are deposited into a depository bank account. These funds are transferred to the Okanogan County Treasurer (County Treasurer) twice a week. The County Treasurer acts as the District Treasurer. Warrants are issued by the District against the cash placed with the County Treasurer, and the warrants are redeemed from a commercial bank by the County Treasurer. 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.

***Capital assets*** – Capital assets are assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets, other than lease assets, are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Lease assets are stated at the present value of the future lease payments plus any payments made at or before the start of the lease and costs to place the asset in service. Lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Association’s published tables and management’s estimate by the straight-line method using these asset lives.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers 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)**

**Capital assets (continued)** – All capital assets other than land and construction in progress are depreciated or amortized by the straight-line method of depreciation using these asset lives:

Buildings and improvements	20 to 40 years
Land improvements	15 to 20 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years
Lease assets - equipment	1 to 5 years

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

**Compensated absences** – The District’s policy is to permit employees to accumulate earned but unused sick leave up to a maximum of 480 hours. The District had two options available to its employees. Under option A, employees are not paid for the first 16 hours of sick leave taken unless hospitalized. Under this option, accumulated but unused sick leave hours are paid out to employees upon termination of employment, provided they have been continuously employed for five years. Under option B, employees are paid for all hours taken; however, accumulated but unused sick leave hours are not paid out to employees upon termination. Option A is no longer available to new employees.

Sick leave benefits under option A are accrued and expensed when earned. Sick leave benefits under option B are expensed when taken.

The District permits employees to accumulate paid vacation benefits based on the average number of hours worked per week and the number of years of service. The maximum amount an employee may accrue during a one-year period is 160 hours. Vacation accrued in one year must be used by the end of the following year. Paid vacation is paid out at the employee’s termination. All paid vacation benefits are accrued and expensed when earned.

**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.

**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.

Okanogan-Douglas Counties Public Hospital District No. 1  
doing business as Three Rivers 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)

**Net position** – Net position of the District is classified into three components. *Net position invested in capital assets net of related debt* 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 *invested in capital assets net of related debt* or *restricted*. The District did not have any restricted net position in 2022 or 2021.

**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.

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

**Change in accounting principle** – In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee’s right to use the leased asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. See Note 6 for additional information on the leases and related right-to-use assets recorded by the District.

The District adopted GASB No. 87 during the year ended December 31, 2022. The District did not restate the financial statements for the year ended December 31, 2021, for GASB No. 87 due to management’s determination that the restatement would not provide significant benefit to the financial statement users.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers 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 items included in the accompanying 2021 financial statements have been reclassified to conform to the 2022 presentation, with no effect on the previously reported change in net position.

***Subsequent events*** – Subsequent events have been reviewed through August 15, 2023, the date on which the financial statements were available to be issued.

**2. Bank Deposits:**

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be refunded to it. The District's deposits are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

The *Revised Code of Washington* (RCW), Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. The District has elected to use the County Treasurer to be its treasurer to issue warrants and make investments. Amounts invested in the Washington State Local Government Investment Pool at December 31, 2022 and 2021, were \$2,500,000 and \$5,000,000, respectively. The Washington State Local Government Investment Pool consists of investments in federal, state, and local government certificates and savings accounts in qualified public depositories.

**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.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

The District's allowance for uncollectible accounts for self-pay patients increased significantly from prior years due to a significant increase in self-pay accounts receivable. 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 the following amounts:

	<b>2022</b>	<b>2021</b>
Receivables from patients and their insurance carriers	\$ 3,720,193	\$ 3,412,124
Receivables from Medicare	1,244,421	1,510,430
Receivables from Medicaid	542,641	819,090
Total patient accounts receivable	5,507,255	5,741,644
Less allowance for uncollectible accounts	1,574,000	1,254,000
<b>Patient accounts receivable, net</b>	<b>\$ 3,933,255</b>	<b>\$ 4,487,644</b>

**4. Property Taxes:**

The Okanogan and Douglas County Treasurers act as agents to collect property taxes levied in the counties 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 Okanogan and Douglas County Assessors 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 Treasurers.



**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

**4. Property Taxes (continued):**

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

	<b>2021</b>	<b>2022</b>
<b>Okanogan County – Regular Levy</b>	\$0.68 per \$1,000 on a total assessed valuation of \$2,260,921,907 for a total regular levy of \$1,538,499	\$0.68 per \$1,000 on a total assessed valuation of \$2,337,476,490 for a total regular levy of \$1,586,081
<b>Douglas County – Regular Levy</b>	\$0.68 per \$1,000 on a total assessed valuation of \$293,119,669 for a total regular levy of \$199,460	\$0.68 per \$1,000 on a total assessed valuation of \$299,598,208 for a total regular levy of \$203,291
<b>Okanogan County – Excess Levy</b>	\$0.30 per \$1,000 on a total assessed valuation of \$2,251,401,981 for a total excess levy of \$664,257	\$0.32 per \$1,000 on a total assessed valuation of \$2,327,091,137 for a total excess levy of \$744,895,
<b>Douglas County – Excess Levy</b>	\$0.30 per \$1,000 on a total assessed valuation of \$290,764,769 for a total excess levy of \$85,788	\$0.32 per \$1,000 on a total assessed valuation of \$297,114,508 for a total excess levy of \$95,105

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.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

**5. Capital Assets:**

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

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
<i>Capital assets not being depreciated</i>					
Land	\$ 10,750	\$ -	\$ -	\$ -	\$ 10,750
Construction in progress	29,795	81,829	-	-	111,624
Total capital assets not being depreciated or amortized	40,545	81,829	-	-	122,374
<i>Capital assets being depreciated</i>					
Buildings and improvements	3,790,436	-	-	-	3,790,436
Land improvements	282,766	10,182	-	-	292,948
Fixed equipment	1,660,986	-	-	-	1,660,986
Movable equipment	6,151,770	439,817	(5,442)	(1,107,509)	5,478,636
Lease right-of-use assets - equipment	-	-	-	1,107,509	1,107,509
Total capital assets being depreciated or amortized	11,885,958	449,999	(5,442)	-	12,330,515
<i>Less accumulated depreciation and amortization for</i>					
Buildings and improvements	(3,551,730)	(97,327)	-	-	(3,649,057)
Land improvements	(272,794)	(2,629)	-	-	(275,423)
Fixed equipment	(1,322,098)	(27,811)	-	-	(1,349,909)
Movable equipment	(4,182,851)	(505,554)	5,442	522,216	(4,160,747)
Lease right-of-use assets - equipment	-	-	-	(522,216)	(522,216)
Total accumulated depreciation and amortization	(9,329,473)	(633,321)	5,442	-	(9,957,352)
<i>Total capital assets being depreciated or amortized, net</i>					
	2,556,485	(183,322)	-	-	2,373,163
<b>Capital assets, net</b>	<b>\$ 2,597,030</b>	<b>\$ (101,493)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,495,537</b>

Construction in progress at December 31, 2022, primarily consisted of costs for various hospital and clinic remodel projects and the design stages of a new hospital building. The remodel projects are expected to be completed in 2023 with an estimated remaining cost to complete of approximately \$1,500. The new building project is still in a preliminary stage, and therefore cost and completion date cannot be estimated at this time.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 10,750	\$ -	\$ -	\$ -	\$ 10,750
Construction in progress	-	29,795	-	-	29,795
Total capital assets not being depreciated	10,750	29,795	-	-	40,545
<i>Capital assets being depreciated</i>					
Buildings and improvements	3,790,436	-	-	-	3,790,436
Land improvements	272,450	10,316	-	-	282,766
Fixed equipment	1,660,986	-	-	-	1,660,986
Movable equipment	5,859,005	446,270	(153,505)	-	6,151,770
Total capital assets being depreciated	11,582,877	456,586	(153,505)	-	11,885,958
<i>Less accumulated depreciation and amortization for</i>					
Buildings and improvements	(3,454,403)	(97,327)	-	-	(3,551,730)
Land improvements	(272,450)	(344)	-	-	(272,794)
Fixed equipment	(1,294,287)	(27,811)	-	-	(1,322,098)
Movable equipment	(3,863,066)	(473,290)	153,505	-	(4,182,851)
Total accumulated depreciation	(8,884,206)	(598,772)	153,505	-	(9,329,473)
Total capital assets being depreciated, net	2,698,671	(142,186)	-	-	2,556,485
<b>Capital assets, net</b>	<b>\$ 2,709,421</b>	<b>\$ (112,391)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,597,030</b>

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

**6. Long-term Debt and Lease Liabilities:**

Schedules of changes in the District's long-term debt and capital lease obligations follow:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amount Due Within One Year
<i>Bonds and note payable</i>					
GE Government Finance, Inc.	\$ 37,830	\$ -	\$ (37,830)	\$ -	\$ -
Coastal Community Bank Bonds	114,500	-	(114,500)	-	-
Total bonds and note payable	152,330	-	(152,330)	-	-
<i>Lease liabilities</i>	917,519	-	(288,967)	<b>628,552</b>	287,732
<b>Total noncurrent liabilities</b>	<b>\$ 1,069,849</b>	<b>\$ -</b>	<b>\$ (441,297)</b>	<b>\$ 628,552</b>	<b>\$ 287,732</b>

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amount Due Within One Year
<i>Bonds and note payable</i>					
GE Government Finance, Inc.	\$ 77,655	\$ -	\$ (39,825)	\$ <b>37,830</b>	\$ 37,830
Coastal Community Bank Bonds	240,000	-	(125,500)	<b>114,500</b>	114,500
Total bonds and note payable	317,655	-	(165,325)	<b>152,330</b>	152,330
<i>Lease liabilities</i>	999,663	187,446	(269,590)	<b>917,519</b>	288,864
<b>Total noncurrent liabilities</b>	<b>\$ 1,317,318</b>	<b>\$ 187,446</b>	<b>\$ (434,915)</b>	<b>\$ 1,069,849</b>	<b>\$ 441,194</b>

***GE Government Finance, Inc., note payable*** – The District entered into a \$225,202 loan agreement with GE Government Finance, Inc., dated October 28, 2016, for patient monitoring equipment due in monthly installments of \$3,496. The loan carried a 3.72 percent interest rate and was paid in full in 2022.

***Coastal Community Bank Bonds*** – The District issued Limited Tax General Obligation Bonds dated October 27, 2017, in the original amount of \$600,000, payable annually on November 30 in \$120,000 installments, starting in 2017, plus interest at 5.00 percent due semiannually on May 31 and November 30. The bonds were paid in full in 2022.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

*Lease liabilities* – The terms and due dates of the District’s lease liabilities are as follows:

- Lease liability to Stryker Sales, in the original amount of \$39,182. Due in monthly installments of \$799 with interest at 2.02 percent through September 2023.
- Lease liability to Leasing Associates of Barrington, in the original amount of \$111,283. Due in monthly installments of \$2,099 with interest at 2.52 percent through August 2023.
- Lease liability to Cannon Financial Services, in the original amount of \$199,949. Due in monthly installments of \$3,402 with interest at 4.50 percent through November 2024.
- Lease liability to Cannon Financial Services, in the original amount of \$151,196. Due in monthly installments of \$2,768 with interest at 4.50 percent through August 2024.
- Lease liability to Meridian Leasing Corporation, in the original amount of \$222,493. Due in monthly installments of \$2,946 with interest at 6.51 percent through December 2023.
- Lease liability to Meridian Leasing Corporation, in the original amount of \$154,679. Due in monthly installments of \$2,837 with interest at 3.79 percent through December 2023.
- Lease liability to GE Government Finance, in the original amount of \$49,724. Due in monthly installments of \$6,772 with interest at 3.60 percent through January 2026.
- Lease liability to GE Government Finance, in the original amount of \$179,503. Due in monthly installments of \$3,515 with interest at 4.74 percent through May 2026.

Scheduled principal and interest repayments are as follows:

<b>Years Ending December 31,</b>	<b>Lease Liabilities</b>		
	Principal	Interest	Total
2023	\$ 287,732	\$ 21,869	\$ <b>309,601</b>
2024	200,219	9,891	<b>210,110</b>
2025	119,930	3,506	<b>123,436</b>
2026	20,671	159	<b>20,830</b>
	<b>\$ 628,552</b>	<b>\$ 35,425</b>	<b>\$ 663,977</b>

**7. Short-term Debt:**

*Line of credit* – The District had a revolving line of credit with Coastal Community Bank. The amount available to the District was \$750,000, which matured on June 30, 2021, and was not renewed. At December 31, 2022 and 2021, the District had draws on this line of credit of \$-0-.

*Short-term loan* – Extended repayment plan of 2021 Medicare overpayment payable to Noridian Healthcare Solutions, in the original amount of \$1,217,000, due in monthly principal and interest installments of \$173,679, including interest at 9.90 percent. This note was paid in full in 2022.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

In April 2020, the District was granted a loan from Wheatland Bank in the aggregate amount of \$1,271,500, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act Provider Relief Fund, which was enacted March 27, 2020. The District received forgiveness of the PPP loan in April 2021. The loan forgiveness is recorded as a Gain on Forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position for the year ending December 31, 2021.

In April 2021, the District was granted a second PPP loan from Wheatland Bank in the aggregate amount of \$1,267,438. The District applied for and received forgiveness for the second loan in March 2022. The loan forgiveness has been recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position for the year ending December 31, 2022.

**9. Net Patient Service Revenue:**

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

	<b>2022</b>	<b>2021</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 6,639,986	\$ 6,976,419
Medicaid	4,134,500	3,492,728
Other third-party payors	4,009,986	4,327,039
Patients	1,259,548	1,541,015
	<b>16,044,020</b>	<b>16,337,201</b>
Less:		
Charity care	505,703	416,798
Provision for bad debts	788,596	1,040,053
<b>Net patient service revenue</b>	<b>\$ 14,749,721</b>	<b>\$ 14,880,350</b>

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

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

- *Medicare* – The hospital has been designated a critical access hospital and the clinic has been designated a rural health clinic by Medicare. The hospital and clinic are paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The hospital and clinic are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the hospital and audits thereof by the Medicare administrative contractor.
- *Medicaid* – Medicaid beneficiaries receive coverage through either the Washington State Health Care Authority (HCA) or Medicaid managed care organizations (MCOs). The District is reimbursed for MCO covered inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses of the District. The District is reimbursed by the HCA for inpatient and outpatient services under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and review by HCA.
- The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Net patient service revenue increased by approximately \$1,000 and \$37,000 in the years ended December 31, 2022 and 2021, respectively, due to differences between original estimates and preliminary settlements and/or revised estimates.

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 approximately \$420,000 and \$295,000, respectively. Disproportionate share hospital payments from the state of Washington received to subsidize charity services provided for the years ended December 31, 2022 and 2021, were approximately \$-0- and \$173,000, respectively.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

In 2020, the District received \$3,749,191 of funding from the CARES Act Provider Relief Fund. In 2021, the District received additional funding of \$446,637. These funds are required to be used to reimburse the District for healthcare-related expenses and lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2022 and 2021, the District recognized \$446,637 and \$-0-, respectively, of grant revenue from these funds on the basis of lost revenues that are attributable to the coronavirus. The District has expended all funds as of December 31, 2022.

**11. Retirement Plans:**

The District provides pension benefits through the Okanogan-Douglas County Hospital Retirement Plan (the Plan), a defined contribution plan for all employees upon completion of three months of employment under Section 401(k) of the Internal Revenue Code (IRC). This plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the employee and the District to the plan plus investment earnings. Employees are eligible to participate after 60 days of service if they agree to contribute 5 percent of their compensation to the Plan. The District contributes a 3 percent match to the Plan on behalf of employees who contribute 5 percent of their compensation to the Plan. The contributions are vested at 20 percent after two years of service with graduated increases until vesting reaches 100 percent after six years of service. Benefit terms, including contribution requirements for the Plan, are established and may be amended by the District.

District contributions and interest that are not yet vested under the graduated schedule are forfeited by employees who leave employment before six years of service and are used to reduce the District's current period contribution requirement. The District made the required contributions of approximately \$144,000 and \$152,000 for 2022 and 2021, respectively. The District's employees contributed approximately \$236,000 and \$235,000 for 2022 and 2021, respectively.

The District also provides the Deferred Compensation Plan of Okanogan-Douglas County Hospital, a deferred compensation plan, to all employees, under Section 457(b) of the IRC. This plan is administered by Randall & Hurley, Inc. The deferred compensation plan is funded solely from employee contributions, which are deposited into a trust fund. The District's employees contributed approximately \$68,000 and \$89,000 for 2022 and 2021, respectively. Benefit terms, including contribution requirements for the Plan, are established and may be amended by the District.

**12. Risk Management and 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; medical malpractice; and employee health 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.



**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

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

***Medical malpractice claims*** – The District purchases malpractice liability insurance through Physicians Insurance. The Physicians Insurance 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 policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims will be covered in the year the claim is reported to the insurance carrier only if the District purchases claims-made insurance in that year or the District purchases “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The current malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. There is no deductible associated with the current malpractice policy.

The District also has excess professional liability insurance with Physicians Insurance on a “claims-made” basis. The excess malpractice insurance provides \$2,000,000 per claim of primary coverage with an aggregate limit of \$2,000,000. The policy has no deductible.

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

***Self-insurance risk pools*** – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust. The trust is a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual unemployment claims, maintenance of reserves, and administrative expenses. Premiums are charged to operations as they are incurred.

The District insures for workers’ compensation through the Association of Washington Public Hospital District (AWPHD). The AWPHD manages all claims and pays benefits out of an insurance pool called the Washington State Fund. The fund is financed by premiums paid by employers and employees. Premiums are charged to operations as they are incurred.

***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.

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2022 and 2021**

**13. 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 Okanogan and Douglas Counties.

The mix of receivables from patients was as follows:

	<b>2022</b>	<b>2021</b>
Medicare	<b>25 %</b>	27 %
Medicaid	<b>12</b>	19
Other third-party payors	<b>31</b>	26
Patients	<b>32</b>	28
	<b>100 %</b>	100 %

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

***Collective bargaining unit*** – Effective December 17, 2021, the District renewed a collective bargaining agreement (the agreement) with United Food and Commercial Workers Union Local No. 21. The agreement is in effect until October 31, 2024, and renews annually thereafter, unless either party serves written notice on the opposing party to amend or terminate the agreement, not less than 90 days in advance of the expiration date. The agreement covered 17 percent and 14 percent of the District's employees December 31, 2022 and 2021, respectively.

## **SINGLE AUDIT**

## **AUDITORS' SECTION**



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

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

Board of Commissioners  
Okanogan-Douglas Counties Public Hospital District No. 1  
doing business as Three Rivers Hospital  
Brewster, 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 Okanogan-Douglas Counties Public Hospital District No. 1 doing business as Three Rivers 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 August 15, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

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

### **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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
August 15, 2023



DINGUS | ZARECOR & ASSOCIATES <sup>PLLC</sup>  
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  
Okanogan-Douglas Counties Public Hospital District No. 1  
doing business as Three Rivers Hospital  
Brewster, Washington

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

***Opinion on the Major Federal Program***

We have audited Okanogan-Douglas Counties Public Hospital District No. 1 doing business as Three Rivers Hospital (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 each of the District's major federal programs 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### **Purpose of this Report**

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

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
August 15, 2023

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers 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   none reported

**Federal Awards:**

Internal control over major federal program:

Material weakness(es) identified?

\_\_\_\_\_ yes

  X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes

  X   no

Type of auditors' report issued on compliance for major program

***Unmodified***

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

\_\_\_\_\_ yes

  X   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

**Okanogan-Douglas Counties Public Hospital District No. 1  
doing business as Three Rivers Hospital  
Schedule of Audit Findings and Questioned Costs (Continued)  
Year Ended December 31, 2022**

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

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

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

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

**AUDITEE'S SECTION**

**Okanogan-Douglas Counties Public Hospital District No. 1**  
**doing business as Three Rivers 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	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
<b>United States Department of Health and Human Services Direct Programs:</b>				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	\$ 446,637
COVID-19 Testing for Rural Health Clinics	93.697		COVID-19	100,000
Total U.S. Department of Health and Human Services Direct Programs				546,637
<b>U.S. Department of Health and Human Services Pass-through Programs From</b>				
<b>The Washington Department of Health:</b>				
Rural Health Research Centers	93.155	HSP26433	COVID-19	140,133
Small Rural Hospital Improvement Grant Program	93.301	CB027162-0		12,377
Total United States Department of Health and Human Services Pass-through programs				152,510
Total U.S. Department of Health and Human Services				699,147
<b>United States Department of Treasury Direct Programs:</b>				
CORONAVIRUS State and Local Fiscal Recovery Funds	21.027		COVID-19	117,293
Total U.S. Department of Treasury Direct Programs				117,293
<b>Total expenditures of federal awards</b>			<b>\$</b>	<b>816,440</b>

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

**Notes to the Schedule of Expenditures of Federal Awards:**

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Okanogan-Douglas Counties Public Hospital District No. 1 doing business as Three Rivers 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 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 assets, or cash flows of the District.

**2. Summary of Significant Accounting Policies:**

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

**Okanogan-Douglas Counties Public Hospital District No. 1  
doing business as Three Rivers Hospital  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2022**

The current year Schedule of Audit Findings and Questioned Costs reported no matters in Section II – Summary of Auditors’ Results or in Section III – Federal Award Findings and Questioned Costs.

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

**Status:** Corrected

**2021-002 Unapproved Budgeted Revenues Included in Lost Revenue Calculation**

**Status:** Corrected

**2021-003 Provider Relief Fund Reporting of Expenses**

**Status:** Corrected