



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

December 9, 2024

Board of Commissioners
Summit Pacific Medical Center
Elma, 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 Summit Pacific Medical Center for the fiscal years ended December 31, 2023 and 2022. 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 Summit Pacific Medical Center'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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Grays Harbor County Public Hospital District No. 1 doing business as Summit Pacific Medical Center

**Basic Financial Statements and
Independent Auditors' Reports**

December 31, 2023 and 2022



Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Elma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grays Harbor County Public Hospital District No. 1 doing business as Summit Pacific Medical Center (the District) as of and for the years ended December 31, 2023 and 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.

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, 2023 and 2022, 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 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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*, and is presented for purposes of additional analysis and is a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 September 17, 2024, 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, 2023. We issued a similar report for the year ended December 31, 2022, dated August 21, 2023, which has not been included with the 2023 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.

D3A PLLC

Spokane Valley, Washington
September 17, 2024

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Statements of Net Position
December 31, 2023 and 2022

ASSETS	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 55,654,252	\$ 50,689,414
Receivables:		
Patient accounts, net	11,572,432	8,271,773
Estimated third-party payor settlements	-	1,142,205
Medical Residency Program	946,815	466,787
Current portion of lease	54,155	49,626
Taxes	42,541	33,144
Grants	869,604	138,564
Other	2,107,335	1,729,937
Inventories	964,979	842,666
Prepaid expenses	821,952	906,345
Total current assets	73,034,065	64,270,461
<i>Noncurrent assets</i>		
Cash and cash equivalents:		
Restricted for construction	57,472,266	-
Restricted for bond debt service	724,896	827,231
Restricted for bond reserve fund	8,299,837	2,036,167
Lease receivable, net of current portion	235,325	261,966
Capital assets, net	47,005,888	42,517,483
Total noncurrent assets	113,738,212	45,642,847
Total assets	\$ 186,772,277	\$ 109,913,308

See accompanying notes to basic financial statements.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Statements of Net Position (Continued)
December 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
<i>Current liabilities</i>		
Accounts payable	\$ 3,471,257.00	\$ 2,958,782
Accrued compensation and related liabilities	4,706,077.00	3,977,339
Accrued interest payable	715,545.00	91,328
Unearned residency funds	148,304.00	311,588
Estimated third-party payor settlements	1,744,844.00	-
Current maturities of long-term debt and other noncurrent liabilities	2,055,255.00	1,383,664
Unearned grant revenue	-	189,780
Total current liabilities	12,841,282.00	8,912,481
<i>Noncurrent liabilities</i>		
Accounts payable, capital	483,741.00	-
Long-term debt and other noncurrent liabilities, net of current maturities	110,295,633.00	44,700,105
Total noncurrent liabilities	110,779,374.00	44,700,105
Total liabilities	123,620,656.00	53,612,586
<i>Deferred inflows of resources, leases</i>	289,480.00	311,592
Total liabilities and deferred inflows of resources	123,910,136.00	53,924,178
<i>Net position</i>		
Net investment in capital assets	(9,072,020.00)	(3,657,614)
Restricted for debt service and reserve	9,024,733.00	2,863,398
Unrestricted	62,909,428.00	56,783,346
Total net position	62,862,141.00	55,989,130
Total liabilities, deferred inflows of resources, and net position	\$ 186,772,277.00	\$ 109,913,308

See accompanying notes to basic financial statements.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 74,172,118	\$ 73,097,482
Grants	2,290,742	1,877,502
Medical Residency Program	946,815	466,787
Federal Emergency Management Agency grant	-	2,846,005
Other	1,813,741	1,577,700
Total operating revenues	79,223,416	79,865,476
<i>Operating expenses</i>		
Salaries and wages	33,902,268	28,521,787
Employee benefits	8,124,198	6,469,259
Supplies	5,991,206	5,853,751
Purchased services	11,431,717	12,395,034
Professional fees	1,749,578	1,086,612
Federal Emergency Management Agency contract labor	-	2,846,005
Depreciation and amortization	5,059,313	3,718,750
Insurance	423,560	422,819
Leases	182,004	524,538
Utilities	612,525	533,840
Repairs and maintenance	2,030,468	2,334,389
Other	3,341,891	3,277,314
Total operating expenses	72,848,728	67,984,098
<i>Operating income</i>	6,374,688	11,881,378
<i>Nonoperating revenues (expenses)</i>		
Tax revenue	914,635	971,832
CARES Act Provider Relief Fund and other COVID-19 grants	-	1,008,464
Contributions	127,703	242,241
Bond issuance costs	(1,377,000)	-
Interest income	3,190,640	517,229
Interest expense	(2,357,655)	(1,737,102)
Total nonoperating revenues, net	498,323	1,002,664
Change in net position	6,873,011	12,884,042
Net position, beginning of year	55,989,130	43,105,088
Net position, end of year	\$ 62,862,141	\$ 55,989,130

See accompanying notes to basic financial statements.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 73,667,305	\$ 71,777,556
Receipts from grants	1,257,854	2,058,587
Other receipts	1,994,333	1,294,570
Payments to and on behalf of employees	(41,297,728)	(34,415,696)
Payments to suppliers and contractors	(25,149,830)	(26,276,361)
Net cash from operating activities	10,471,934	14,438,656
<i>Cash flows from noncapital financing activities</i>		
Taxation for maintenance and operations	905,238	979,822
Contributions	127,703	242,241
Grant	(189,780)	189,780
Net cash from noncapital financing activities	843,161	1,411,843
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(6,690,205)	(5,872,077)
Principal paid on long-term debt and lease obligation	(10,287,163)	(1,331,963)
Proceeds from the issuance of debt	74,180,510	-
Bond issuance costs	(1,377,000)	
Interest paid	(1,733,438)	(1,741,629)
Net cash from capital and related financing activities	54,092,704	(8,945,669)
<i>Cash flows from investing activities, interest income</i>	3,190,640	517,229
Net change in cash and cash equivalents	68,598,439	7,422,059
Cash and cash equivalents, beginning of year	53,552,812	46,130,753
Cash and cash equivalents, end of year	\$ 122,151,251	\$ 53,552,812

See accompanying notes to basic financial statements.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents	\$ 55,654,252	\$ 50,689,414
Cash and cash equivalents - restricted for construction	57,472,266	-
Restricted for bond debt service	724,896	827,231
Restricted for bond reserve fund	8,299,837	2,036,167
Total cash and cash equivalents	\$ 122,151,251	\$ 53,552,812
<i>Reconciliation of Operating Income to Net Cash From Operating Activities</i>		
Operating income	\$ 6,374,688	\$ 11,881,378
<i>Adjustments to reconcile operating income to net cash from operating activities</i>		
Depreciation and amortization	5,059,313	3,718,750
Provision for bad debts	6,996,671	4,142,343
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(9,830,543)	(3,069,207)
Estimated third-party payor settlements	1,142,205	(1,142,205)
Medical Residency Program	(946,815)	-
Other receivables	(377,398)	(741,120)
Lease	22,112	(311,592)
Grants	(731,040)	4,800
Inventories	(122,313)	(104,056)
Prepaid expenses	84,393	(140,838)
Increase (decrease) in liabilities:		
Accounts payable	512,475	392,030
Accrued compensation and related liabilities	728,738	575,350
Estimated third-party payor settlements	1,744,844	(1,159,654)
Deferred inflows of resources, leases	(22,112)	311,592
Unearned residency funds	(163,284)	81,085
Net cash from operating activities	\$ 10,471,934	\$ 14,438,656

See accompanying notes to basic financial statements.

Noncash Capital Financing Activities

During the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in the District recognizing a liability of \$1,332,038.

The District also entered into a lease during the year ended December 31, 2023, for the purchase of medical equipment totaling \$1,041,734.

During the year ended December 31, 2022, the District implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which resulted in recognizing lease liabilities totaling \$210,822.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Grays Harbor Public Hospital District No. 1 doing business as Summit Pacific Medical Center (the District) owns and operates a 10-bed acute care hospital and three Medicare certified rural health clinics as provided for under the laws of the state of Washington relating to Washington municipal corporations. As organized, the District is exempt from payment of federal income taxes. The Board of Commissioners consists of five community members elected to six-year terms.

The District provides healthcare services to patients in the Grays Harbor County area. The services provided include acute care hospital, emergency room, physician clinic, and related ancillary services (laboratory, imaging, therapy, etc.).

The District operates a medical residency program, providing training for medical residents in various specialties as part of its commitment to healthcare.

The District has no significant component units.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect 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 – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. All cash receipts are deposited directly to the District's depository accounts at a bank.

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

Cash and cash equivalents restricted as to use – Assets restricted as to use include assets under bond indenture agreements for a bond reserve fund and debt service.

Property and equipment – The District capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least one year; lesser amounts are expensed. The capital assets are reported at historical cost. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. Contributed capital assets are reported at their estimated fair value at the time of their donation. When such assets are disposed of, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is classified in nonoperating revenues or expenses. Assets under lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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

b. Summary of Significant Accounting Policies (continued)

Property and equipment (continued) – Depreciation is recorded over the estimated useful life of each class of depreciable asset using the American Hospital Association’s guidelines and is computed using the straight-line method over the estimated useful life. The estimated useful lives used by the District are as follows:

Land improvements	5 to 20 years
Buildings and improvements	5 to 50 years
Equipment	3 to 20 years
Lease right-of-use assets – Equipment	3 years
Lease right-of-use assets – Building	20 years
Subscription assets	5 years

Accrued leave – The District’s policy is to permit employees to accumulate earned but unused paid time off up to a maximum of 288 to 408 hours, depending on years of service. Paid time off is accrued when earned. Upon separation of employment, employees are eligible for payout of earned but unused paid time off after they have completed one year of continuous employment.

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*.

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, grants, 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, including time 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.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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

b. Summary of Significant Accounting Policies (continued)

Change in accounting principle – 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-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 District adopted Statement No. 96 for the year ended December 31, 2023. The District did not restate the financial statements for the year ended December 31, 2022, for Statement No. 96 due to management’s determination that the restatement would not provide significant benefit to the financial statement users. See Notes 4 and 5 for additional information on the subscription assets and liabilities recorded by the District.

Subsequent events – Subsequent events have been reviewed through September 17, 2024, the date on which the financial statements were available to be issued. In April 2024, the District was awarded \$2.5 million in support of the hospital’s expansion project through legislative appropriations at the federal level sponsored by Senator Maria Cantwell. Funds will be used to help with the initial phase of construction for the hospital expansion, including demolition, structural concrete/rebar, subgrade plumbing rough-in, sitework/earthwork, and utilities/pilings.

2. Bank Deposits and Investments:

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. Amounts invested in the Washington State Local Government Investment Pool at December 31, 2023 and 2022, were \$18,457,422 and \$11,522,845, respectively.

Custodial credit risk – The risk that, in the event of a failure of the counterparty, the District will not be able to recover that value of the deposits or investments that are in the possession of an outside party. All District 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, and all investments are insured, registered, or held by the District’s agent in the District’s name at qualified public depositories.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

2. Bank Deposits and Investments (continued):

Credit risk – The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a policy specifically requiring or limiting investments of this type.

Concentration of credit risk – The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – The possibility that an interest rate change could adversely affect an investment's fair value. The District does not have a policy specifically managing its exposure to fair value losses arising from changing interest rates.

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.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

3. Patient Accounts Receivable (continued):

The District's allowance for uncollectible accounts for self-pay patients has increased from the prior year due to an 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 a current asset by the District consisted of these amounts:

	2023	2022
Receivables from patients and their insurance carriers	\$ 11,693,477	\$ 7,937,950
Receivables from Medicare	2,705,397	2,049,874
Receivables from Medicaid	1,639,758	1,271,577
Total patient accounts receivable	16,038,632	11,259,401
Less allowance for uncollectible accounts	4,466,200	2,987,628
Patient accounts receivable, net	\$ 11,572,432	\$ 8,271,773

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Capital Assets:

Capital asset balances and activity were as follows:

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<i>Capital assets not being depreciated</i>					
Land	\$ 1,652,029	\$ -	\$ -	\$ -	\$ 1,652,029
Construction in progress	3,143,409	2,675,884	-	(875,075)	4,944,218
Total capital assets not being depreciated	4,795,438	2,675,884	-	(875,075)	6,596,247
<i>Capital assets being depreciated or amortized</i>					
Land improvements	4,473,365	54,139	-	-	4,527,504
Buildings and improvements	42,616,065	2,407,484	-	-	45,023,549
Equipment	15,893,615	2,090,054	-	875,075	18,858,744
Lease right-of-use assets					
Building	2,379,154	-	-	-	2,379,154
Equipment	210,822	988,119	-	-	1,198,941
Subscription assets	-	1,332,038	-	-	1,332,038
Total lease right-of-use assets	2,589,976	2,320,157	-	-	4,910,133
Total capital assets being depreciated or amortized	65,573,021	6,871,834	-	875,075	73,319,930
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	1,661,291	382,290	-	-	2,043,581
Buildings and improvements	15,956,716	2,068,972	-	-	18,025,688
Equipment	9,404,001	1,758,529	-	-	11,162,530
Lease right-of-use assets					
Building	772,406	114,792	-	-	887,198
Equipment	56,562	290,717	-	-	347,279
Subscription assets	-	444,013	-	-	444,013
Total lease right-of-use assets	828,968	849,522	-	-	1,678,490
Total accumulated depreciation and amortization	27,850,976	5,059,313	-	-	32,910,289
Total capital assets being depreciated or amortized, net	37,722,045	1,812,521	-	875,075	40,409,641
Capital assets, net	\$ 42,517,483	\$ 4,488,405	\$ -	\$ -	\$ 47,005,888

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Capital Assets (continued):

	Balance December 31, 2021		Additions	Retirements	Transfers	Balance December 31, 2022	
<i>Capital assets not being depreciated</i>							
Land	\$	1,652,029	\$	-	\$	-	\$ 1,652,029
Construction in progress		5,611,186		545,368		(3,013,145)	3,143,409
Total capital assets not being depreciated		7,263,215		545,368		(3,013,145)	4,795,438
<i>Capital assets being depreciated or amortized</i>							
Land improvements		4,440,695		-		32,670	4,473,365
Buildings and improvements		43,842,102		1,044,496		(2,270,533)	42,616,065
Equipment		13,001,214		20,547		2,871,854	15,893,615
Lease right-of-use assets							
Building		-		-		2,379,154	2,379,154
Equipment		-		210,822		-	210,822
Total lease right-of-use assets		-		210,822		2,379,154	2,589,976
Total capital assets being depreciated or amortized		61,284,011		1,275,865		3,013,145	65,573,021
<i>Less accumulated depreciation and amortization for</i>							
Land improvements		1,285,345		375,946		-	1,661,291
Buildings and improvements		14,620,637		2,108,485		(772,406)	15,956,716
Equipment		8,226,244		1,177,757		-	9,404,001
Lease right-of-use assets							
Building		-		-		772,406	772,406
Equipment		-		56,562		-	56,562
Total lease right-of-use assets		-		56,562		772,406	828,968
Total accumulated depreciation and amortization		24,132,226		3,718,750		-	27,850,976
<i>Total capital assets being depreciated, or amortized net</i>							
		37,151,785		(2,442,885)		3,013,145	37,722,045
Capital assets, net	\$	44,415,000	\$	(1,897,517)	\$	-	\$ 42,517,483

The hospital is in the preliminary stages of a renovation and expansion project that is expected to cost approximately \$57,000,000 and be completed in 2025. The hospital issued bonds to finance the construction.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities, Net of Current Maturities:

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

	Balance December 31, 2022		Additions		Reductions	Balance December 31, 2023		Amounts Due Within One Year
<i>Bonds payable</i>								
Limited tax general obligation								
bond refunding - 2011	\$ 7,441,747.00	\$	-	\$	(274,806.00)	\$ 7,166,941.00	\$	285,209.00
Revenue bond - 2011	7,439,343.00		-		(274,897.00)	7,164,446.00		285,303.00
Limited tax general obligation								
bond refunding - 2012	428,548.00		-		(224,204.00)	204,344.00		204,345.00
Hospital revenue bonds	-		74,715,000.00		-	74,715,000.00		100,000.00
Hospital revenue bond discount	-		(534,490.00)		1,909.00	(532,581.00)		-
<i>Notes payable</i>								
USDA Loan # 07	4,028,530.00		-		(58,604.00)	3,969,926.00		60,538.00
USDA Loan # 08	7,646,086.00		-		(111,229.00)	7,534,857.00		114,899.00
USDA Loan # 09	8,601,847.00		-		(125,133.00)	8,476,714.00		129,261.00
2019 Dougherty	8,389,104.00		-		(8,389,104.00)	-		-
Total long-term debt	43,975,205.00		74,180,510.00		(9,456,068.00)	108,699,647.00		1,179,555.00
<i>Lease liabilities</i>								
Building	1,949,773.00		-		(89,166.00)	1,860,607.00		93,728.00
Equipment	158,791.00		1,041,734.00		(355,507.00)	845,018.00		328,300.00
Total lease liabilities	2,108,564.00	-	1,041,734.00	-	(444,673.00)	2,705,625.00	-	422,028.00
<i>Subscription-based information technology arrangements</i>								
Electronic health records system	-		1,332,038.00		(386,422.00)	945,616.00		453,672.00
Total subscription-based information technology arrangements	-	-	1,332,038.00	-	(386,422.00)	945,616.00	-	453,672.00
Total long-term debt and lease liabilities	\$ 46,083,769.00	\$	76,554,282.00	\$	(10,287,163.00)	\$ 112,350,888.00	\$	2,055,255.00
	Balance December 31, 2021		Additions		Reductions	Balance December 31, 2022		Amounts Due Within One Year
<i>Bonds payable</i>								
Limited tax general obligation								
bond refunding - 2011	\$ 7,706,532	\$	-	\$	(264,785)	\$ 7,441,747	\$	274,807
Revenue bond - 2011	7,704,215		-		(264,872)	7,439,343		274,898
Limited tax general obligation								
bond refunding - 2012	645,373		-		(216,825)	428,548		224,204
<i>Notes payable</i>								
USDA Loan # 07	4,085,263		-		(56,733)	4,028,530		58,605
USDA Loan # 08	7,753,763		-		(107,677)	7,646,086		111,229
USDA Loan # 09	8,722,984		-		(121,137)	8,601,847		125,133
2019 Dougherty	8,552,181		-		(163,077)	8,389,104		170,382
Total long-term debt	45,170,311		-		(1,195,106)	43,975,205		1,239,258
<i>Lease liabilities</i>								
Building	2,034,599		-		(84,826)	1,949,773		89,166
Equipment	-		210,822		(52,031)	158,791		55,240
Total lease liabilities	2,034,599	-	210,822	-	(136,857)	2,108,564	-	144,406
Total long-term debt and lease liabilities	\$ 47,204,910	\$	210,822	\$	(1,331,963)	\$ 46,083,769	\$	1,383,664

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities, Net of Current Maturities (continued):

Long-term debt – The terms and due dates of the District’s long-term debt are as follows:

- United States Department of Agriculture (USDA) Communities Facilities Loan program (USDA Loan 07, 08, and 09) as well the 2019 Dougherty & Company LLC, which is guaranteed through the USDA total \$30,130,000 and were issued to construct the Wellness Center. The USDA direct loans in the original amount of \$21,215,000 are payable in monthly principal and interest payments totaling \$79,132 with an interest rate of 3.25 percent. Each loan is due in full in June 2059. The guaranteed loan was paid in full in 2023.
- Hospital Revenue Bonds were issued in 2023 to finance initiatives such as improving healthcare facilities and refinance existing debt related to the Dougherty loan. The bonds were issued at the aggregate purchase price of \$74,715,000, which is the principal amount of the bonds of \$74,715,000, and less a discount of \$534,490. The bonds principal payments vary in amounts from \$100,000 to \$12,635,000, and interest rates vary from 5.750 to 6.875 percent through 2042.
- Limited Tax General Obligation (LTGO) Bond, dated October 28, 2011, with semiannual principal and interest payments of \$275,660. The interest rate on the bond is 3.75 percent and is due in full by October 28, 2041. The bond was for \$9,505,500 and backed by the USDA. The funds were used to construct the replacement facility and related equipment in Elma, Washington.
- Revenue Bond, dated October 28, 2011, with semiannual principal and interest payments of \$275,660. The interest rate on the bond is 3.75 percent and is due in full by October 28, 2041. The bond was for \$9,505,500 and backed by the USDA. The funds were used to construct the replacement facility in Elma, Washington.
- LTGO Bond dated October 1, 2012, with semiannual principal and interest payments of \$118,396. The interest rate on the bond is 3.375 percent and is due in full by October 2024. The bond was for a total of \$2,160,500 and backed by the USDA. The funds were used for various capital purchases at the new hospital facility.

All limited tax general obligation bonds are general obligations of the District and are secured by an irrevocable pledge that the District will have sufficient funds available to pay the related principal and interest payments due by levying each year maintenance and operations tax upon the taxable property within the District boundaries.

The bonds include financial covenants that must be complied with as a condition of the bonds.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities, Net of Current Maturities (continued):

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

- The District entered into a building lease agreement to Grenville/McCleary, LLC, in the original amount of \$2,379,154 due in monthly payments ranging from \$14,092 to \$18,522, including interest at 5 percent through February 2036.
- Canon equipment lease effective January 1, 2022, in the original amount of \$175,524, payments of \$3,989 per month through August 1, 2025. A second equipment Canon lease effective January 1, 2022, in the original amount of \$60,295, payments of \$1,283 per month through November 1, 2025.
- MRI lease effective January 1, 2023, in the original amount of \$1,041,734, payments of \$26,850 per month through July 2026.

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

- EHR subscription liability effective January 28, 2023, in the original amount of \$1,332,038, payments ranging from \$82,892 to \$126,869 per month through December 2025.

Scheduled principal and interest payments on long-term debt and lease obligation are as follows:

Years Ending December 31,	LTGO Bonds Payable		
	Principal	Interest	Total
2024	\$ 489,554	\$ 271,068	\$ 760,622
2025	296,004	255,316	551,320
2026	307,209	244,111	551,320
2027	318,837	232,483	551,320
2028	330,905	220,415	551,320
2029-2033	1,852,161	904,439	2,756,600
2034-2038	2,230,257	526,343	2,756,600
2039-2042	1,546,359	102,832	1,649,191
	\$ 7,371,286	\$ 2,757,007	\$ 10,128,293

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities, Net of Current Maturities (continued):

Years Ending December 31,	Revenue Bonds and USDA Loans Payable		
	Principal	Interest	Total
2024	\$ 690,001	\$ 6,151,873	\$ 6,841,874
2025	1,235,851	5,915,634	7,151,485
2026	1,292,442	5,858,105	7,150,547
2027	1,349,800	5,797,798	7,147,598
2028	1,412,952	5,734,683	7,147,635
2029-2033	8,136,875	27,610,326	35,747,201
2034-2038	10,382,342	25,368,959	35,751,301
2039-2043	14,596,144	22,159,633	36,755,777
2044-2048	21,718,432	16,873,152	38,591,584
2049-2053	36,283,318	8,976,758	45,260,076
2054-2058	4,700,385	443,195	5,143,580
2059	62,397	169	62,566
	\$ 101,860,939	\$ 130,890,285	\$ 232,751,224

Years Ending December 31,	Lease Obligations		
	Principal	Interest	Total
2024	\$ 422,028	\$ 173,116	\$ 595,144
2025	430,995	124,700	555,695
2026	299,517	86,018	385,535
2027	127,168	76,184	203,352
2028	133,674	69,678	203,352
2029-2033	832,056	235,136	1,067,192
2034-2036	460,187	30,069	490,256
	\$ 2,705,625	\$ 794,901	\$ 3,500,526

Years Ending December 31,	Subscription-Based Information Technology Arrangements		
	Principal	Interest	Total
2024	\$ 453,672	\$ 39,025	\$ 492,697
2025	491,944	15,534	507,478
	\$ 945,616	\$ 54,559	\$ 1,000,175

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. 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 provision for bad debts and writeoffs has increased from the prior year due to an increase in self-pay patients. The District has not changed its charity care and uninsured discount policies during fiscal years 2023 or 2022. 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, follows:

	2023	2022
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 25,796,124	\$ 23,372,337
Medicaid	19,400,586	22,744,380
Other third-party payors	23,225,246	25,774,064
Patients	11,706,855	6,032,174
340B contract pharmacy	2,379,548	1,476,427
	82,508,359	79,399,382
Less:		
Charity care	1,339,570	2,159,557
Provision for bad debts	6,996,671	4,142,343
Net patient service revenue	\$ 74,172,118	\$ 73,097,482

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. 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 District has been designated a critical access hospital and the clinics as rural health clinics 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 for the District.
- *Other commercial payors* – The District also has 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, fee schedule, and prospectively determined daily rates.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased by \$30,000 in 2023 and increased by approximately \$387,000 in 2022 due to differences between original estimates and final settlements 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, 2023 and 2022, were approximately \$591,000 and \$931,000, respectively. Disproportionate share hospital payments from the state of Washington received to subsidize charity services provided for the years ended December 31, 2023 and 2022, were approximately \$79,000 and \$89,000, respectively.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Property Taxes:

The County Treasurer acts as an agent to collect property taxes levied in Grays Harbor County for all taxing authorities. Taxes are levied annually on January 1 on property values assessed as of the same date and are intended to finance the District's activities of the same calendar year. Assessed values are established by the county assessor at 100 percent of fair market values. An evaluation of all property is required every four years.

Taxes are due in two equal amounts by April 30 and October 31. The assessed property is subject to lien on the levy date and taxes are considered delinquent after 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. 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 need to be authorized by the vote of the people.

For 2023, the District's regular tax levy was approximately \$0.40 per \$1,000 of total assessed valuation of \$1,991,617,859, for a total regular levy of \$795,000. For 2022, the District's regular tax levy was approximately \$0.39 per \$1,000 of total assessed valuation of \$1,974,424,592, for a total regular levy of \$773,885. The District also received additional timber and other tax funding totaling approximately \$126,000 and \$211,000 in 2023 and 2022, 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.

8. Retirement Plan:

The District offers the Grays Harbor County Public Hospital District No.#1 Deferred Compensation Plan, which is a deferred compensation plan under Section 457(b). The plan is administered by Principal Financial Group. The plan is available to those employees that are benefit eligible. The District provides a discretionary employer matching contribution. Eligible participants can contribute to the plan 100 percent of their compensation up to the maximum annual IRS limit. Participants are fully vested in their salary deferrals as well as the District's discretionary employer matching contribution. Participant contributions to the plan during the years ended December 31, 2023 and 2022, were approximately \$466,600 and \$888,000, respectively. The District accrued employer matching contributions to the plan of approximately \$-0- and \$281,000 for the years ended December 31, 2023 and 2022, respectively.

The District offers an Individual Secured Executive Reward program (iSERP) to qualifying executives, providers, and to any other employed leader appointed by the executive team, as a way to recruit and retain key positions that are essential to the organization. Participant and employer matching contributions to this plan are on an after-tax basis. The plan is administered by New York Life. Employees of the District who are participating in both the iSERP and 457(b) plans are only eligible to receive the iSERP matching employer contribution.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Retirement Plan (continued):

The District accrued employer matching contributions to the iSERP Plan of \$24,000 and \$25,000 for the years ended December 31, 2023 and 2022, respectively. Employee contributions to the plan were approximately \$24,000 and \$35,000 for the years ended December 31, 2023 and 2022, respectively. These plans may be amended by the District.

The District began to sponsor a defined contribution retirement plan (the Plan) under Section 403(b) of the Internal Revenue Code beginning in January 2023. The Plan allows for employees to contribute to a retirement account and provides for discretionary employer contributions. Employer contributions for the year ended December 31, 2023, were approximately \$871,000. Employee contributions to the plan were approximately \$1,413,000 and \$871,000 for the years ended December 31, 2023 and 2022, respectively. These plans may be amended by the District.

9. 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; 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.

Medical malpractice claims – The District has professional liability insurance coverage with Physicians Insurance. The policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carriers 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 carriers 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 professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has no deductible per claim or in the aggregate.

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

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.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

9. Risk Management and Contingencies (continued):

Workers' compensation – The District has a self-insured workers' compensation plan through the Public Hospital District Workers' Compensation Trust, which is a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation claims, maintenance of reserves, and administrative expenses. Payments by the District charged to workers' compensation expense were approximately \$306,000 and \$237,000 in 2023 and 2022, respectively, before dividends. Dividends of approximately \$14,000 and \$56,000 were recorded in 2023 and 2022, respectively.

Unemployment insurance – The District has a self-insured unemployment plan through the Public Hospital District Unemployment Compensation Trust, which 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. Payments by the District charged to unemployment insurance expense were approximately \$38,000 and \$53,000 in 2023 and 2022, respectively, before dividends. Dividends of approximately \$-0- were recorded in 2023 and 2022.

10. Collective Bargaining Unit:

During 2021, the District renewed its contract with the Association of Emergency Department and Medical Unit Registered Nurses. As of December 31, 2023 and 2022, approximately 67 percent and 73 percent, respectively, of the District's employees were represented by the union under this collective bargaining agreement. The contract is effective through 2023.

11. 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 Grays Harbor County.

The mix of receivables from patients was as follows:

	2023	2022
Medicare	27 %	30 %
Medicaid	16	14
Other third-party payors	31	30
Patients	26	26
	100 %	100 %

Physicians – The District is dependent on local providers 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.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

12. CARES Act Provider Relief Fund:

The District received \$4,688,971 of direct funding from the CARES Act Provider Relief Fund during the year ended December 31, 2020, and received \$1,008,464 of additional funding including a significant amount passed through from the Washington State Department of Health and Washington State Health Care Authority from the CARES Act Provider Relief Fund during the year ended December 31, 2021. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to the coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. The District recognized \$-0- and \$1,008,464 as revenue during the years ended December 31, 2023 and 2022, respectively. The District had no unearned CARES Act Provider Relief Funds at December 31, 2023.

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
Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Elma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grays Harbor County Public Hospital District No. 1 doing business as Summit Pacific Medical Center (the District) as of and for the year ended December 31, 2023, 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 September 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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. 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 or significant deficiencies 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 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.

D3A PLLC

Spokane Valley, Washington
September 17, 2024



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

Board of Commissioners
Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Elma, Washington

Report on Compliance for each Major Federal Program

Opinion on each Major Federal Program

We have audited Grays Harbor County Public Hospital District No. 1 doing business as Summit Pacific Medical Center (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, 2023. The District's major federal programs are 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 each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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 each 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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.

D3A PLLC

Spokane Valley, Washington
September 17, 2024

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:	<i>Unmodified</i>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u>	no
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u>	none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u>	no

Federal Awards:

Internal control over major federal programs:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u>	no
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u>	none reported
Type of auditors’ report issued on compliance for major federal programs:	<i>Unmodified</i>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u>	no

Identification of major federal programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
32.006	COVID-19 Telehealth Program
10.766	Community Facilities Loans and Grants Cluster

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

Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no
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Section II – Financial Statement Findings

There are no matters reported for 2023. 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 2023. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
Federal Communications Commission				
COVID-19 Telehealth Program	32.006		COVID-19	\$ 869,604
U.S. Department of Agriculture Direct Programs:				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants	10.766			43,975,205
U.S. Department of Health and Human Services Direct Programs:				
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912			247,575
U.S. Department of Health and Human Services Pass-through Programs From:				
Washington State Department of Health				
Small Rural Hospital Improvement Program	93.301	HSP25532		12,598
Washington Health Care Authority				
Primary Care Training and Enhancement	93.884	1T13HP31906-01-00		10,000
Rural Communities Opioid Response-Implementation	93.788	H79TI081705		666,578
Total U.S. Department of Health and Human Services Pass-through Programs				689,176
Total U.S. Department of Health and Human Services				936,751
Total expenditures of federal awards				\$ 45,781,560

See accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Grays Harbor County Public Hospital District No. 1 doing business as Summit Pacific Medical Center (the District) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration 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 net 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 elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Loans and Loan Guarantee:

Nonmonetary assistance in the form of a loans and loan guarantee is included in the Schedule. The related loan balance was \$34,517,228 at December 31, 2023.

Grays Harbor County Public Hospital District No. 1
doing business as Summit Pacific Medical Center
Schedule of Prior Audit Findings
Year Ended December 31, 2023

The single audit for the year ended December 31, 2022, reported no audit findings, nor were there any unresolved findings from the years ended December 31, 2021, or prior. Therefore, there are no matters to report in this section for the year ended December 31, 2023.