



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

December 12, 2024

Board of Commissioners
Lincoln Hospital
Davenport, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Lincoln Hospital 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 and, accordingly, we do not express an opinion on those financial statements.

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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Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital

Financial Statements and
Required Supplementary Information

Years Ended December 31, 2023 and 2022

LINCOLN HOSPITAL
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for Life!*

Lincoln County Public Hospital District No. 3
d/b/a Lincoln Hospital
Financial Statements

Years Ended December 31, 2023 and 2022

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Independent Auditor's Report

Board of Commissioners
Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital
Davenport, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements (the "financial statements") of Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital (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 accompanying 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 net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAS, 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended December 31, 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96 - *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis and the schedule of changes in total other post-employment benefits liability and related ratios as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 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. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Spokane, Washington

May 23, 2024

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Our discussion and analysis of the financial performance of Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital (the "District") provides an overview of the District's financial activities for the years ended December 31, 2023 and 2022. Please read it in conjunction with the District's financial statements, which begin on page 11.

Financial Highlights

- The District's net position decreased by \$202,938, or 1.0%, in 2023 and increased by \$3,165,881, or 18.8%, in 2022.
- The District reported an operating loss of \$1,410,302 in 2023 and an operating loss of \$197,385 in 2022. The operating loss in 2023 increased by \$1,212,917, or 614.5%. The operating loss in 2022 decreased by \$839,259, or 81.0%.
- Nonoperating net revenue decreased by \$1,938,902, or 61.6%, in 2023 compared with 2022. Nonoperating net revenue decreased by \$3,516,967, or 52.8%, in 2022 compared with 2021.

Using This Annual Report

The District's financial statements consist of three statements: net position; revenues, expenses, and changes in net position; and cash flows. These financial statements and the related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

Our analysis of the District's finances begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?". The statements of net position and the statements of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position (the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources) as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as the local economic factors, to assess the overall health of the District.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

The Statements of Cash Flows

The final required statements are the statements of cash flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. They provide answers to such questions as, "Where did cash come from?," "What was cash used for?," and "What was the change in cash balance during the reporting period? "

The District's Net Position

The District's net position is the difference between its assets and deferred outflows of resources; and liabilities and deferred inflows of resources reported in the statements of net position on page 12. The District's net position decreased by \$202,938, or 1.0%, in 2023 and increased by \$3,165,881, or 18.8%, in 2022, as shown in Table 1.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Table 1: *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position*

Significant components of the change in the District's assets and liabilities were the decrease in board designated cash and investments of approximately \$2,527,000, the increase in capital assets - net of approximately \$1,421,000, the increase in deferred inflows of resources of approximately \$1,287,000, and an approximate decrease of \$1,337,000 in total OPEB liability.

The District implemented Government Accounting Standards Board Statement No. 96 - *Subscription-Based Information Technology Arrangements* retroactively to January 1, 2022.

	2023	2022	2021
Assets:			
Current assets	\$ 11,283,305	\$ 10,119,168	\$ 10,528,864
Board designated cash and investments	10,003,942	12,530,605	11,597,375
Capital assets - Net	12,346,048	10,925,104	11,235,987
Deferred outflows of resources	774,849	904,555	984,894
Total assets and deferred outflows of resources	\$ 34,408,144	\$ 34,479,432	\$ 34,347,120
Liabilities and deferred inflows of resources:			
Current liabilities	\$ 3,196,507	\$ 3,022,307	\$ 5,769,885
Long-term debt and lease obligations - Less current portion	6,154,121	6,542,508	6,966,825
Subscription liability - Less current portion	395,098	-	-
Total OPEB liability	2,036,075	3,372,661	3,019,276
Deferred inflows of resources	2,787,979	1,500,654	1,715,713
Total liabilities and deferred inflows of resources	14,569,780	14,438,130	17,471,699
Net position:			
Net investment in capital assets	5,112,286	4,030,561	3,343,889
Unrestricted	14,726,078	16,010,741	13,531,532
Total net position	19,838,364	20,041,302	16,875,421
Total liabilities, deferred inflows of resources, and net position	\$ 34,408,144	\$ 34,479,432	\$ 34,347,120

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Operating Results and Changes in the District's Net Position

In 2023, the District's net position decreased by \$202,938, or 1.0%, as shown in Table 2. This decrease is made up of several different components.

Table 2: Operating Results and Changes in Net Position

	2023	2022	2021
Operating revenue:			
Net patient service revenue	\$ 29,058,764	\$ 28,643,715	\$ 26,127,718
Other operating revenue	501,442	772,160	816,562
Total operating revenue	29,560,206	29,415,875	26,944,280
Operating expenses:			
Salaries and benefits	20,392,722	19,525,550	19,001,179
Supplies	2,210,224	2,894,209	2,986,731
Depreciation and amortization	1,583,180	1,030,558	770,864
Other operating expenses	6,784,382	6,162,943	5,222,150
Total operating expenses	30,970,508	29,613,260	27,980,924
Operating loss	(1,410,302)	(197,385)	(1,036,644)
Nonoperating revenue (expenses):			
Taxation for maintenance and operations	775,894	750,506	733,149
Interest income	615,941	251,106	79,425
Interest expense	(195,767)	(196,584)	(247,473)
Grants and contributions	11,296	2,341,238	6,098,132
Total nonoperating revenue - Net	1,207,364	3,146,266	6,663,233
Income before capital grants and contributions	(202,938)	2,948,881	5,626,589
Capital grants and contributions	-	217,000	9,808
Change in net position	(202,938)	3,165,881	5,636,397
Net position at beginning	20,041,302	16,875,421	11,239,024
Net position at end	\$ 19,838,364	\$ 20,041,302	\$ 16,875,421

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Operating Income (Loss)

The first component of the overall change in the District's net position is its operating income (loss), generally the difference between net patient revenue and the expenses incurred to perform those services. The District reported an operating loss in 2023 and 2022. The District's hospital operations began in 1961 as a public hospital district, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the District's lower-income residents.

The primary components of these operating results are:

- An increase in net patient service revenue of \$415,049, or 1.4%, in 2023. Net patient service revenue increased \$2,515,997, or 9.6%, in 2022.
- An increase in salary and benefit costs for the District's employees of \$867,172, or 4.4%, in 2023. Salary and benefit costs increased by \$524,371, or 2.8%, in 2022.
- Supply costs decreased by \$683,985, or 23.6%, in 2023. Supply costs decreased by \$92,522, or 3.1%, in 2022.
- The District's level of uncompensated care charges was \$165,007 in 2023 and \$256,752 in 2022, or 0.5% and 0.7% of gross revenue, respectively. These are services provided for which no payment is expected.

The District is certified as a provider under both the Medicare program, which provides certain health care benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy families. Approximately 51% of the gross patient service revenue for the year ended December 31, 2023, was derived from Medicare, and 17% was derived from Medicaid. On the Medicare patient side, until July 31, 2000, the District was paid on a fixed case rate that was adjusted for inflation each year, and the District would lose money on any cases with expenses exceeding the reimbursement. As of August 1, 2000, the District was designated a critical access hospital by the Centers for Medicare and Medicaid Services. The District initiated a process to qualify for this designation based on certain criteria that have allowed the District, since that date, to receive reimbursement based on actual costs. As for Medicaid, the federal government provides grants to states that have programs meeting certain federal guidelines. These funds are sometimes reduced as the federal or state governments try to balance their budgets.

Union employee salary and benefit costs increased annually based on rates established in labor contracts negotiated in 2003 and revised in 2005, 2009, 2012, 2014, 2016, 2021, and 2023. The District's current collective bargaining agreement for all its union employees expires on December 31, 2024.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Operating Income (Loss) (Continued)

The rate of health care inflation typically has a direct effect on the cost of services provided by the District. A component of the District's costs is expenses for medical supplies and prescription drugs. In 2023, medical supplies and prescription drug costs were \$2,210,224, consisting of 7.1% of total operating expenses. In 2022, medical supplies and prescription drug costs were \$2,894,209, consisting of 9.8% of total operating expenses.

The District sometimes provides care for patients with little or no health insurance or other means of repayment. As discussed, this community service is consistent with the goals established for the District when it was created in 1961. The level of services provided to these patients decreased by \$91,745 in 2023 compared with 2022 and increased by \$61,415 in 2022 compared with 2021. Because there is no expectation of repayment, charity care is not reported as patient service revenue of the District.

Nonoperating Revenue and Expenses

Nonoperating revenue consists primarily of property taxes levied by the District, interest revenue and investment earnings, and grants and contributions. Nonoperating tax revenue increased by \$25,388, or 3.4%, in 2023 compared with the increase of \$17,357, or 2.4%, in 2022. Nonoperating grants and contributions revenue decreased \$2,329,942 in 2023 due to the earning of the remaining Provider Relief Funds during 2022 and no new grant funding received during 2023.

Grants, Contributions, and Endowments

The District, from time to time, receives grants from the state of Washington and various other agencies for specific programs. These are discussed in detail in Note 1 to the financial statements. The District received funds from the Washington State Department of Health for trauma service in 2022 and from Better Health Together for care coordination in 2022. The District received no permanent endowments in 2022 or 2023.

The District's Cash Flows

Changes in the District's cash flows are consistent with the changes in operating income (loss) and nonoperating revenue and expenses.

Capital Asset and Debt Administration

Capital Assets

At the end of 2023 and 2022, the District had \$12,346,048 and \$10,925,104, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2023, the District purchased new capital assets and recognized new right-of-use assets totaling \$3,004,124. In 2022, the District purchased new capital assets and recognized new right-of-use assets totaling \$719,674. The District entered into no new lease agreements during 2023 or 2022. The District has occasionally found it more economical to lease some of its equipment. This allows the District to avoid some costs of obsolescence caused by technological changes.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Debt

At year-end, the District had approximately \$7,234,000 in long-term debt, lease and subscription obligations, compared with \$6,895,000 in 2022. The District issued no new debt in 2023 and 2022. The District's formal debt issuances, certificates of participation, cannot be issued without approval of the District's Board of Commissioners. The amount of debt issued is subject to limitations that apply to hospital districts within the state of Washington. There have been no changes in the District's debt ratings in the past two years.

Other Economic Factors

Competition from other hospitals and health care providers is a risk to the District's revenue. New or existing hospitals and health care providers try to carve out profitable segments of the District's business by expanding their operations and/or facilities to meet the demand of growing health care in this area.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the finance department at Lincoln Hospital, 10 Nichols Street, Davenport, Washington 99122.

Lincoln County Public Hospital District No. 3
d/b/a Lincoln Hospital
Statements of Net Position

December 31, 2023 and 2022

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 4,848,260	\$ 3,748,998
Patient accounts receivable - Net	3,474,608	3,903,797
Estimated third-party payor settlements receivable	2,061,445	1,456,316
Taxes receivable	17,551	16,717
Other receivables	124,583	129,475
Inventories	682,438	725,785
Prepaid expenses	74,420	138,080
Total current assets	11,283,305	10,119,168
Noncurrent cash and investments	10,003,942	12,530,605
Capital assets:		
Nondepreciable capital assets	792,630	930,678
Depreciable capital assets - Net	11,553,418	9,994,426
Capital assets - Net	12,346,048	10,925,104
Deferred outflows of resources - OPEB	774,849	904,555
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 34,408,144	\$ 34,479,432

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Statements of Net Position (Continued)

December 31, 2023 and 2022

	2023	2022
Current liabilities:		
Current portion of long-term debt	\$ 190,000	\$ 180,000
Current portion of lease obligations	123,233	172,035
Current portion of subscription liability	371,310	-
Accounts payable	396,737	761,707
Employee compensation and related liabilities	2,094,664	1,887,252
Accrued interest	20,563	21,313
Total current liabilities	3,196,507	3,022,307
Long-term liabilities:		
Long-term debt - Less current portion	6,046,405	6,315,678
Lease obligations - Less current portion	107,716	226,830
Subscription liability - Less current portion	395,098	-
Total OPEB liability	2,036,075	3,372,661
Total long-term liabilities	8,585,294	9,915,169
Total liabilities	11,781,801	12,937,476
Deferred inflows of resources - Related to OPEB	2,787,979	1,500,654
Net position:		
Net investment in capital assets	5,112,286	4,030,561
Unrestricted	14,726,078	16,010,741
Total net position	19,838,364	20,041,302
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 34,408,144	\$ 34,479,432

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenue:		
Net patient service revenue	\$ 29,058,764	\$ 28,643,715
Grants	-	242,220
Other	501,442	529,940
Total operating revenue	29,560,206	29,415,875
Expenses:		
Salaries and wages	16,671,935	15,737,786
Employee benefits	3,720,787	3,787,764
Professional fees	846,694	857,578
Supplies	2,210,224	2,894,209
Purchased services - Utilities	507,622	503,463
Purchased services - Other	4,329,419	4,036,288
Depreciation and amortization	1,583,180	1,030,558
Rental and leases	84,582	41,707
Insurance	328,040	239,331
Other	688,025	484,576
Total expenses	30,970,508	29,613,260
Operating loss	(1,410,302)	(197,385)
Nonoperating revenue (expenses):		
Taxation for maintenance and operations	775,894	750,506
Grants and contributions	11,296	2,341,238
Interest income	615,941	251,106
Interest expense	(195,767)	(196,584)
Total nonoperating revenue - Net	1,207,364	3,146,266
Income before capital grants and contributions	(202,938)	2,948,881
Capital grants and contributions	-	217,000
Change in net position	(202,938)	3,165,881
Net position at beginning	20,041,302	16,875,421
Net position at end	\$ 19,838,364	\$ 20,041,302

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Receipts from and on behalf of patients and third-party payors	\$ 28,882,824	\$ 26,068,494
Receipts from grants	-	242,220
Receipts from other operating revenue	506,334	481,153
Payments to and on behalf of employees	(20,104,865)	(19,304,308)
Payments to suppliers and contractors	(9,252,569)	(8,882,711)
Net cash from operating activities	31,724	(1,395,152)
Cash flows from noncapital financing activities:		
Property taxes for maintenance and operations	775,060	746,737
Grants and contributions received	11,296	12,690
Net cash from noncapital financing activities	786,356	759,427
Cash flows from capital and related financing activities:		
Principal paid on long-term debt, lease and subscription obligations	(523,591)	(378,132)
Interest paid on long-term debt, lease and subscription obligations	(275,790)	(276,588)
Capital grants and contributions received	-	217,000
Purchase of capital assets	(2,062,041)	(1,259,823)
Net cash from capital and related financing activities	(2,861,422)	(1,697,543)
Cash flows from investing activities:		
Interest received	615,941	251,106
Net change in cash and cash equivalents	(1,427,401)	(2,082,162)
Cash and cash equivalents at beginning	16,279,603	18,361,765
Cash and cash equivalents at end	\$ 14,852,202	\$ 16,279,603

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Statements of Cash Flows (Continued)

Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (1,410,302)	\$ (197,385)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,583,180	1,030,558
Provision for bad debts	1,038,274	601,152
Changes in assets and liabilities:		
Receivables:		
Patient accounts receivable - Net	(609,085)	(1,912,706)
Estimated third-party payor settlements	(605,129)	(1,263,667)
Other	4,892	(48,787)
Inventories	43,347	(31,051)
Prepaid expenses	63,660	53,133
Accounts payable	(364,970)	152,359
Employee compensation and related liabilities	207,412	2,577
Total OPEB liability	(1,336,586)	353,385
Change in deferred inflows	1,287,325	(215,059)
Change in deferred outflows	129,706	80,339
Total adjustments	1,442,026	(1,197,767)
Net cash from operating activities	\$ 31,724	\$ (1,395,152)
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 4,848,260	\$ 3,748,998
Cash and cash equivalents in noncurrent cash and investments	10,003,942	12,530,605
Total cash and cash equivalents	\$ 14,852,202	\$ 16,279,603
Noncash capital and related financing activities:		
Capital assets acquired under subscription-based arrangement obligations	\$ 942,083	\$ -

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital (the "District") owns and operates Lincoln Hospital (the "Hospital"), a licensed 25-bed critical access hospital (CAH), and rural health clinics located in Davenport, Wilbur, and Reardan, Washington. The District provides health care services to patients in Davenport, Wilbur, and Reardan, Washington, and the surrounding areas. The services provided include an acute care hospital, an emergency room, a physicians' clinic, and the related ancillary procedures (surgery, laboratory, imaging services, therapy, etc.) associated with those services.

The District operates under the laws of the state of Washington relating to Washington municipal corporations. As organized, the District is exempt from the payment of federal income taxes. The Board of Commissioners consists of seven community members elected to six-year terms. The District is not a component unit of Lincoln County.

The Foundation

Lincoln Hospital Foundation (the "Foundation") is a legally separate not-for-profit organization whose purpose is to solicit, hold, manage, invest, and expend endowment funds and other gifts, grants, and bequests almost exclusively for the benefit of the District. However, upon dissolution, the net assets of the Foundation are not required to be distributed to the District. The Foundation is managed by an independent Board of Directors and is not financially accountable to the District. The financial resources of the Foundation are not significant to the District as a whole and, accordingly, financial information related to the Foundation is not included in these financial statements.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that directly 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 revenue and expenses during that period. Actual results may differ from these estimates.

Method of Accounting

The District's financial statements are presented using the economic resources measurement focus, which uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP). The District applies all applicable standards issued by the Governmental Accounting Standards Board (GASB).

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

All cash receipts are deposited directly with the Lincoln County Treasurer, who acts as the District Treasurer. Warrants are issued by the District against the cash placed with the County Treasurer. The treasurer invests cash in interest-bearing investments at the direction of the District. For purposes of the statements of cash flows, the District considers all investments with maturity dates of less than 90 days when purchased to be cash equivalents.

Patient Accounts Receivable and Credit Policy

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

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for doubtful accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable.

In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts for which patients are personally responsible, through a reduction of gross revenue and a credit to an allowance for doubtful accounts.

In evaluating the collectibility of patient accounts receivable, the District analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful 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 doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts 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.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

For receivables associated with self-pay patients (which includes 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 discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventories

Inventories are stated at lower of cost or net realizable value on the first-in, first-out method. Inventories consist of pharmaceutical, medical, and other supplies used in the District's operations.

Noncurrent Cash and Investments

Noncurrent cash and investments includes assets set aside by the Board of Commissioners for future capital improvements and construction of facilities over which the Board retains control and may, at its discretion, use for other purposes. It also includes unspent debt proceeds held with the Washington State Treasurer's Office restricted for construction of facilities.

Capital Assets

The District capitalizes assets whose costs exceed \$5,000 and that have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful life, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Property and equipment acquisitions are recorded at cost or, if donated, at acquisition value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 2 to 25 years for moveable and fixed equipment and from 5 to 40 years for land improvements and buildings.

Impairment of Long-Lived Assets

The District reviews its capital assets periodically to determine potential impairment by comparing the carrying value with the estimated future net discounted cash flows expected to result from the use of the capital assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the District would recognize an impairment loss at the time. No impairment loss was recognized in 2023 and 2022.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Lease and Subscription-Based Information Technology Arrangement Accounting

The District is a lessee in multiple noncancelable lease agreements and also a subscription based information technology arrangement (the "agreements"). If the agreement provides the District the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be an agreement to be recorded as a right-of-use (ROU) asset. ROU assets and related liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected agreement term. The ROU asset is also adjusted for any prepayments made, agreement incentives received, and initial direct costs as incurred during the implementation stage. Costs incurred during the preliminary project stage and after the ROU assets are operational are expensed as incurred.

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

The discount rate used is the implicit rate in the agreement, if it is readily determinable. If the implicit rates of the District's agreements are not readily determinable, then the District uses the incremental borrowing rate based on the information available at the commencement date for all agreements. The District's incremental borrowing rate for an agreement is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the agreement payments under similar terms and in a similar economic environment.

The ROU asset for an agreement is amortized on a straight-line-basis over the agreement term. For agreements with payments that fluctuate over the agreement term, the total agreement costs are recognized on a straight-line basis over the agreement term.

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

Compensated Absences

The District's policy is to permit 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 224 hours. All paid vacation benefits are accrued and expensed when earned.

The District permits employees to accumulate paid sick leave benefits based on the average hours worked per week. The maximum amount an employee may accrue during a one-year period is 96 hours. The maximum amount an employee may accumulate is 600 hours. All sick leave benefits are expensed when taken.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Employees who have worked continuously for five consecutive years as of December 31, 1992, are eligible to participate in the Hospital Sick Leave Pay-out Program if they continue to be employed for 10 years. The maximum number of hours these employees are eligible for at termination is frozen as of December 31, 1992, at their December 31, 1992, rate of pay. The District has recorded a liability for amounts payable under this program as of December 31, 2023 and 2022.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources for contributions to other post-employment benefit (OPEB) plans subsequent to the measurement date of the OPEB liability.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to its OPEB liability.

Net Position

Net position of the District is classified into two 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. Unrestricted net position consists of the remaining net position that does not meet the definition above.

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.

Operating Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions, including grants for specific operating activities associated with providing health care services, the District's principal activity. Nonexchange revenue, including taxes and contributions received for purposes other than capital asset acquisition, is reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs. All other revenue and expenses not meeting these definitions, such as interest, are reported as nonoperating revenue and expenses.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates if negotiated or provided by policy). Based on 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 provision is offset by recoveries that are received on accounts receivable written off as bad debt in a prior year.

Charity Care

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$104,338 in 2023 and \$96,479 in 2022.

Grants and Contributions

From time to time, the District receives grants from the state of Washington and other entities, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenue 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.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

District Property Tax Revenue

The District has the authority to impose taxes on property within the boundaries of the health care district. Taxes are received from Lincoln County (the "County"), which bills and collects the taxes for the District. Secured property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on April 30 and October 31. Collections are distributed monthly to the District by the County Treasurer. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

New Accounting Pronouncement

In May 2020, the GASB issued GASB Statement number 96 - *Subscription-Based Information Technology Arrangements* (SBITA). This statement requires organizations to recognize a SBITA as a ROU subscription-based asset as an intangible asset and a corresponding subscription liability for agreements that have terms greater than one year. The District adopted this guidance for the year ended December 31, 2023. The adoption of this guidance did not affect beginning or ending net position for the year ended December 31, 2022, and accordingly, restatement of beginning December 31, 2022, net position was not necessary.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 2: Bank Deposits and Investments

Deposits

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

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

Investments

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: 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 (LGIP); savings accounts in qualified public depositories; and certain other investments.

The District's cash and investment balances consisted of the following at December 31:

	2023	2022
LGIP	\$ 9,059,732	\$ 10,830,335
Cash deposits with financial institutions carrying amount	5,792,470	5,449,268
Total cash and investments	\$ 14,852,202	\$ 16,279,603

Average days to maturity of LGIP assets was 17 days at December 31, 2023.

The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company. It is a voluntary investment vehicle operated by the Washington State Treasurer. Over 530 local governments have participated in the Pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to the Revised Code of Washington (RCW) 43.250. All investments are subject to written policies and procedures adopted by the State Treasurer's Office. The LGIP is considered extremely low risk. Funds are invested in a portfolio of securities in a manner generally consistent with the SEC's Rule 2A-7 of the Investment Company Act of 1940 as it currently stands. The LGIP functions as a demand deposit account where the District receives an allocation of its proportionate share of pooled earnings using an amortized cost methodology. Unrealized gains and losses due to changes in the fair values are not distributed to the District.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 2: Bank Deposits and Investments (Continued)

Investments (Continued)

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification, and liquidity requirements set forth by the Governmental Accounting Standards Board for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9am on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10am on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9am and 10am, at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The LGIP is not subject to the fair value hierarchy disclosures.

Note 3: Noncurrent Cash and Investments

Noncurrent cash and investments consisted of the following at December 31:

	2023	2022
Cash and cash equivalents - Board designated	\$ 944,210	\$ 1,700,270
LGIP - Board designated	9,059,732	10,830,335
Total noncurrent cash and investments	\$ 10,003,942	\$ 12,530,605

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following at December 31:

	2023	2022
Receivables from patients and their insurance carriers	\$ 3,017,497	\$ 2,263,292
Receivables from Medicare	2,025,264	1,984,676
Receivables from Medicaid	595,525	698,507
Total patient accounts receivable	5,638,286	4,946,475
Less:		
Contractual allowances	1,685,000	754,000
Allowance for doubtful accounts	478,678	288,678
Patient accounts receivable - Net	\$ 3,474,608	\$ 3,903,797

Note 5: Reimbursement Arrangements With Third-Party Payors

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

Hospital

Medicare - The Medicare program has designated the District as a CAH for Medicare reimbursement purposes. Under this designation, the District's inpatient, outpatient, and swing bed services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain lab and mammography services, which are reimbursed based on fee schedules.

Medicaid - Medicaid reimbursement for inpatient and outpatient hospital services is paid based on cost as defined and limited by the Washington State Health Care Authority. Medicaid swing bed services are reimbursed on a prospectively set rate per day. Medicaid pays rural health clinic services on a prospectively set rate per visit.

Physician and Professional Services in Rural Health Clinics

Certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology.

Effective April 1, 2021, Medicare reimbursement for existing provider-based rural health clinics affiliated with hospitals with less than 50 available beds is limited to a per-visit base rate inflated annually by the Medicare Economic Index.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 5: Reimbursement Arrangements With Third-Party Payors (Continued)

Other

The District 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 discounts from established charges and prospectively determined daily rates.

Accounting for Contractual Arrangements

The District is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the District's related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The cost reports for the District have been final settled by Medicare through 2020.

Estimates for cost report settlements and contractual allowances can differ from actual reimbursements based on the results of subsequent reviews and cost report audits. Changes in estimated third-party valuation allowances that relate to prior years are reported in net patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations of these laws and regulations by healthcare providers can result in the imposition of fines and penalties, as well as repayment of previously billed and collected revenue from patient services.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RAC) search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The District has not been notified by the RAC of any potential significant reimbursement adjustments.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 6: Capital Assets

Capital assets activity for the year ended December 31, 2023, follows:

	Balance at January 1, 2023	Additions	Retirements	Transfers	Balance at December 31, 2023
Nondepreciable capital assets:					
Land	\$ 331,080	\$ -	\$ -	\$ -	\$ 331,080
Construction in progress	138,048	-	-	(138,048)	-
Land not used in operations	461,550	-	-	-	461,550
Total nondepreciable capital assets	930,678	-	-	(138,048)	792,630
Depreciable capital assets:					
Land improvements	324,429	-	-	-	324,429
Buildings	12,857,806	-	-	-	12,857,806
Fixed equipment	5,310,503	-	-	-	5,310,503
Moveable equipment	8,211,644	3,004,124	-	138,048	11,353,816
Total depreciable capital assets	26,704,382	3,004,124	-	138,048	29,846,554
Less accumulated depreciation:					
Land improvements	310,261	2,881	-	-	313,142
Buildings	4,873,907	527,715	-	-	5,401,622
Fixed equipment	4,954,063	92,613	-	-	5,046,676
Moveable equipment	6,571,725	959,971	-	-	7,531,696
Total accumulated depreciation	16,709,956	1,583,180	-	-	18,293,136
Depreciable capital assets - Net	9,994,426	1,420,944	-	138,048	11,553,418
Capital assets - Net	\$ 10,925,104	\$ 1,420,944	\$ -	\$ -	\$ 12,346,048

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 6: Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2022, follows:

	Balance at January 1, 2022	Additions	Retirements	Transfers	Balance at December 31, 2022
Nondepreciable capital assets:					
Land	\$ 331,080	\$ -	\$ -	\$ -	\$ 331,080
Construction in progress	145,078	489,441	-	(496,471)	138,048
Land not used in operations	461,550	-	-	-	461,550
Total nondepreciable capital assets	937,708	489,441	-	(496,471)	930,678
Depreciable capital assets:					
Land improvements	324,429	-	-	-	324,429
Buildings	12,833,751	24,055	-	-	12,857,806
Fixed equipment	5,223,676	86,827	-	-	5,310,503
Moveable equipment	7,595,822	119,351	-	496,471	8,211,644
Total depreciable capital assets	25,977,678	230,233	-	496,471	26,704,382
Less accumulated depreciation:					
Land improvements	307,380	2,881	-	-	310,261
Buildings	4,341,421	532,486	-	-	4,873,907
Fixed equipment	4,864,509	89,554	-	-	4,954,063
Moveable equipment	6,166,089	405,636	-	-	6,571,725
Total accumulated depreciation	15,679,399	1,030,557	-	-	16,709,956
Depreciable capital assets - Net	10,298,279	(800,324)	-	496,471	9,994,426
Capital assets - Net	\$ 11,235,987	\$ (310,883)	\$ -	\$ -	\$ 10,925,104

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 6: Capital Assets (Continued)

Right-of-use asset activity included within moveable equipment above consisted of the following during the year ended December 31, 2023:

	Balance at January 1, 2023	Additions	Retirements	Transfers	Balance at December 31, 2023
Intangible right-to-use assets:					
Leases	\$ 711,365	\$ -	\$ -	\$ -	\$ 711,365
Subscription based	-	2,792,274	-	-	2,792,274
Total ROU assets	711,365	2,792,274	-	-	3,503,639
Less - Accumulated amortization	305,353	639,620	-	-	944,973
Intangible right-to-use assets - Net	\$ 406,012	\$ 2,152,654	\$ -	\$ -	\$ 2,558,666

Right-of-use asset activity included within moveable equipment above consisted of the following during the year ended December 31, 2022:

	Balance at January 1, 2022	Additions	Retirements	Transfers	Balance at December 31, 2022
Intangible right-to-use assets-					
Leases	\$ 711,365	\$ -	\$ -	\$ -	\$ 711,365
Less - Accumulated amortization	170,529	134,824	-	-	305,353
Intangible right-to-use assets - Net	\$ 540,836	\$ (134,824)	\$ -	\$ -	\$ 406,012

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 7: Long-Term Debt

Long-term debt for the year ended December 31, 2023, follows:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Amounts Due Within One Year
Long-term debt:					
Certificates of Participation, Series 2020B	\$ 5,115,000	\$ -	\$ (180,000)	\$ 4,935,000	\$ 190,000
Series 2020B premium	1,380,678	-	(79,273)	1,301,405	-
Total long-term debt	\$ 6,495,678	\$ -	\$ (259,273)	\$ 6,236,405	\$ 190,000

Long-term debt for the year ended December 31, 2022, follows:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Amounts Due Within One Year
Long-term debt:					
Certificates of participation, Series 2020B	\$ 5,290,000	\$ -	\$ (175,000)	\$ 5,115,000	\$ 180,000
Series 2020B premium	1,459,952	-	(79,274)	1,380,678	6,749,952
Total long-term debt	6,749,952	\$ -	\$ (254,274)	\$ 6,495,678	\$ 180,000

Certificates of Participation, Series 2020B - Direct Placement

The District issued Certificates of Participation, Series 2020B (COP 2020B), dated July 9, 2020 in the amount of \$5,445,000 plus an original issue premium of \$1,585,468, to finance the construction of a new medical office building. The COP 2020B are due in annual principal installments ranging from \$155,000 to \$415,000, plus semiannual interest payments at 2.217%, maturing in June 2040, and are secured by the financed assets. The COP 2020B are subject to arbitrage requirements set forth by the Internal Revenue Service, certain expenditure requirements, and insurance requirements. The District has pledged its full faith and credit to make payments as required by the agreement. Upon default, the state of Washington may terminate the agreement upon written notification to the District of such election.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 7: Long-Term Debt (Continued)

Maturity Schedules

Scheduled principal and interest payments on long-term debt for the years ending December 31 are as follows:

	Principal	Interest
2024	\$ 190,000	\$ 242,000
2025	200,000	232,250
2026	210,000	222,000
2027	220,000	211,250
2028	230,000	200,000
2029-2033	1,350,000	809,000
2034-2038	1,720,000	427,500
2039-2040	815,000	41,125
Totals	\$ 4,935,000	\$ 2,385,125

Note 8: Lease Obligations

Lease obligations for the year ended December 31, 2023, follows:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Amounts Due Within One Year
Lease obligations:					
Phillips mobile X-ray	\$ 57,895	\$ -	\$ (36,134)	\$ 21,761	\$ 21,761
Phillips fixed X-ray	99,915	-	(46,843)	53,072	48,939
Phillips C-arm	65,557	-	(48,787)	16,770	16,770
Physical therapy building	141,454	-	(22,380)	119,074	22,789
MailFinance machine	5,787	-	(3,371)	2,416	2,340
Baxter pumps	28,257	-	(10,401)	17,856	10,634
Total lease obligations	\$ 398,865	\$ -	\$ (167,916)	\$ 230,949	\$ 123,233

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 8: Lease Obligations (Continued)

Lease obligations for the year ended December 31, 2022, follows:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Amounts Due Within One Year
Lease obligations:					
Phillips mobile X-ray	\$ 89,733	\$ -	\$ (31,838)	\$ 57,895	\$ 36,124
Phillips fixed X-ray	149,033	-	(49,118)	99,915	50,986
Phillips C-arm	108,386	-	(42,829)	65,557	48,787
Physical therapy building	163,255	-	(21,801)	141,454	22,290
Pyxis Carefusion	44,002	-	(44,002)	-	-
MailFinance machine	9,158	-	(3,371)	5,787	3,447
Baxter pumps	38,430	-	(10,173)	28,257	10,401
Total lease obligations	\$ 601,997	\$ -	\$ (203,132)	\$ 398,865	\$ 172,035

The terms of the District's lease obligations are as follows:

Philips Mobile X-Ray

Lease agreement in the original principal amount of \$121,721, due in monthly installments of \$3,151 including imputed interest at varying rates, through July 2024, collateralized by the leased asset.

Philips Fixed X-Ray

Lease agreement in the original principal amount of \$197,819, due in monthly installments of \$4,520, including imputed interest at varying rates, through December 2024, collateralized by the leased asset.

Philips C-Arm

Lease agreement in the original principal amount of \$161,617, due in monthly installments of \$4,227, including imputed interest at 1.71%, through April 2024, collateralized by the leased asset.

Physical Therapy Building

Lease agreement in the original principal amount of \$184,583, due in monthly installments of \$2,100 including imputed interest at 2.21%, through December 2028, collateralized by leased premises.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 8: Lease Obligations (Continued)

Carefusion Pyxis Medication Dispensing Machine

Lease agreement in the original principal amount of \$87,042, due in monthly installments of \$3,711, including imputed interest at 2.21%, through December 2022, collateralized by the leased asset.

MailFinance Mail Sorting Machine

Lease agreement in the original principal amount of \$12,456, due in monthly installments of \$295, including imputed interest at 2.21%, through August 2024, collateralized by the leased asset.

Baxter Infusion Pumps

Lease agreement in the original principal amount of \$48,382, due in monthly installments of \$910, including imputed interest at 2.21%, through August 2025, collateralized by the leased asset.

Maturity Schedules

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

	Principal	Interest
2024	\$ 123,233	\$ 4,333
2025	30,520	1,961
2026	23,821	1,379
2027	24,355	845
2028	29,020	300
Totals	\$ 230,949	\$ 8,818

Note 9: Subscription Liability

Subscription liability for the year ended December 31, 2023, follows:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Amounts due Within One Year
Subscription liability	\$ -	\$ 942,083	\$ (175,675)	\$ 766,408	\$ 371,310

The District's subscription liability is for an arrangement for the utilization of EPIC with terms in the original principal amount \$942,083, due in quarterly installments ranging from \$94,956 to \$100,739, including interest imputed at 3.17%, through December 2025, collateralized by the ROU asset.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 9: Subscription Liability (Continued)

Future minimum subscription liability payments for the years ending December 31 are as follows:

	Principal		Interest
2024	371,310	\$	19,910
2025	395,098		7,859
Total	\$ 766,408	\$	27,769

Note 10: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended December 31:

	2023		2022
Gross patient service revenue:			
Hospital inpatient	\$ 5,805,025	\$	6,096,904
Hospital outpatient	24,734,197		24,718,928
Physician clinics	5,572,056		4,221,860
Totals	36,111,278		35,037,692
Less:			
Contractual allowances	6,014,240		5,792,825
Provision for bad debts	1,038,274		601,152
Net patient service revenue	\$ 29,058,764	\$	28,643,715

The following table reflects the percentage of gross patient service revenue by payor source for the years ended December 31:

	2023	2022
Medicare	51 %	50 %
Medicaid	17 %	18 %
Other third-party payors	29 %	29 %
Self-pay	3 %	3 %
Total payors	100 %	100 %

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 11: Charity Care

The District provides charity care to patients who are financially unable to pay for the health care 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 revenue or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system. The estimated cost of providing care to patients under the Hospital's charity care policy was approximately \$142,000 and \$218,000 in 2023 and 2022, respectively, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care.

Note 12: Retirement Benefits

The District provides retirement benefits for employees who have completed one year of employment and attained the age of 21 through administration of the Lincoln County Public Hospital District No. 3 Section 401(a) Profit Sharing Plan (the "Plan"), a defined contribution plan. Employees who are classified as "supplemental" employees are not eligible to participate in the Plan. In a defined contribution plan, benefits depend solely on amounts contributed by the District and District's employees to the plan plus investment earnings.

The District also administers the Lincoln County Public Hospital District No. 3 Deferred Compensation Section 457(b) Plan, a defined contribution plan. Employees are eligible to participate after one year of service if the employee agrees to contribute 3% of their compensation to the 457(b) plan. The District's contributions are made on an annual basis at 3% of the employee's salary. The District's contributions are vested at 50% after two years of service, with graduated increases until vesting reaches 100% after three years of service.

District contributions and interest forfeited by employees who leave employment before three years of service are used to pay plan expenses and to reduce the District's current-period contribution requirement. The District made the required contributions of approximately \$405,000 for 2023 and \$387,000 for 2022 to the 401(a) plan. Employees contributed approximately \$1,036,000, for 2023 and \$815,000 for 2022 to the 457(b) plan.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits

The District participates in an agent multiple-employer OPEB plan. In accordance with RCW 41.05.085 and RCW 41.05.022, eligible District retirees and spouses are entitled to subsidies associated with postemployment health benefits provided through the Public Employee Benefits Board (PEBB). The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees. The District began participation in the PEBB on January 1, 2017.

The subsidies provided by PEBB include the following:

- Explicit medical subsidy for post-65 retirees and spouses
- Implicit medical subsidy
- Implicit dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. The retirees and spouses currently pay the premium minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees, who can be expected to have lower average health costs than retirees. For post-65 retirees and spouses, the retiree does not pay the full premium as a result of the subsidy discussed above.

As of the valuation date, the membership includes 171 active participants, 10 retirees, and 1 spouse of current retirees.

Total OPEB Liability

	2023	2022
Total OPEB liability	\$ 2,036,075	\$ 3,372,661
Covered employee payroll	15,659,499	14,552,824
Total OPEB liability as a % of covered employee payroll	13.00%	23.18%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates. There have been no significant changes between the valuation date and fiscal year-ends.

	2023	2022
Valuation date	July 1, 2022	July 1, 2020
Measurement date	December 31, 2022	December 31, 2021

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits (Continued)

Discount Rate

	2023	2022
Discount rate	3.72%	2.06%
20-year tax exempt municipal bond yield	3.72%	2.06%

The discount rate was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years.

Other Key Actuarial Assumptions

Census date	July 1, 2022
Price inflation	2.35%
Salary increase	3.25%
Actuarial cost method	Entry Age

Changes in Total OPEB Liability

	2023	2022
Beginning-of-year balance	\$ 3,372,661	\$ 3,019,276
Changes for the year:		
Service cost	279,728	265,675
Interest on total OPEB liability	74,959	69,408
Effect of economic/demographic gains or losses	(123,508)	-
Effect of assumptions changes or inputs	(1,540,423)	40,326
Benefits paid	(27,342)	(22,024)
End-of-year balance	\$ 2,036,075	\$ 3,372,661

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits (Continued)

Sensitivity Analysis

The following presents the total OPEB liability of the District, as of the measurement date, calculated using the discount rate of 3.72% and 2.06%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	2023	2022
1% decrease	2.72%	1.06%
Total OPEB liability	\$ 2,447,839	\$ 4,146,397
Discount rate	3.72%	2.06%
Total OPEB liability	2,036,075	3,372,661
1% increase	4.72%	3.06%
Total OPEB liability	1,707,938	2,770,539

The following presents the total OPEB liability of the District, as of the measurement date, calculated using the current health care cost trend rates, as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates. Health care trend rates are disclosed on page 41.

	2023	2022
1% decrease	\$ 1,645,971	\$ 2,628,384
Current trend rate	2,036,075	3,372,661
1% increase	2,553,296	4,397,709

OPEB Expense

OPEB expense recognized for the years ended December 31, 2023 and 2022, was \$104,063 and \$246,006, respectively.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits (Continued)

Deferred Inflows and Deferred Outflows of Resources

At December 31, 2023, deferred inflows and outflows of resources were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,173	\$ 555,340
Assumption changes or inputs	558,059	2,232,639
Benefit payments subsequent to the measurement date	23,617	-
Totals	\$ 774,849	\$ 2,787,979

At December 31, 2022, deferred inflows and outflows of resources were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 228,945	\$ 502,999
Assumption changes or inputs	648,268	997,655
Benefit payments subsequent to the measurement date	27,342	-
Totals	\$ 904,555	\$ 1,500,654

Differences between expected and actual experience and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

The \$23,617 reported as deferred outflows related to OPEB resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2023.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits (Continued)

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Years ending December 31:

2024	\$	(250,624)
2025		(250,624)
2026		(250,624)
2027		(250,624)
2028		(257,218)
Thereafter		(777,033)

Note that additional future deferred inflows and outflows of resources may impact these numbers.

Demographic Assumptions

Demographic assumptions regarding retirement, mortality, turnover, and marriage are based on assumptions used in the 2023 actuarial valuation of Washington State Public Employee Retirement System (PERS), and modified for the District.

The assumed disability rates under PERS plan 3 from the 2023 actuarial valuation are less than 0.1% for ages 50 and below and continue to be low after that. The disability rate was assumed to be 0% for all ages.

For service retirement, PERS plan 3 was used, with less than 30 years of service assumptions from the 2023 actuarial valuation for PERS.

For mortality, the assumptions from the actuarial valuation for the Washington State retirement systems, adjusted for the Employer were used. For all healthy members, the PubG.H-2010 base mortality table with generational mortality adjustments using the long-term MP-2017 generational improvement scale was used.

For other termination of employment, the assumptions from the 2023 actuarial valuation for PERS were used, but no less than 2% per year.

Retirement eligibility: Members are eligible for service retirement at age 55 with 20 years of service or age 65 with 5 years of service.

Election assumption: 40% of members are assumed to elect medical benefits upon retirement. 30% of members are assumed to elect dental benefits upon retirement.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits (Continued)

Demographic Assumptions (Continued)

Election assumption (spouses): 40% of members are assumed to enroll eligible spouses as of the retirement date.

Medicare coverage: 100% of members are assumed to enroll in Medicare, once eligible, after initial participation.

Spouse age: A male member is assumed to be three years older than his spouse, and a female member is assumed to be one year younger than her spouse.

Selection of carrier: All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by PEBB retirees.

Health Cost Trend

The health cost trend assumptions used in this valuation, assumed for both current and future retirees, are as follows:

Year	Pre-65 Claims and Contributions	Post-65 Claims	Post-65 Contributions
2023	5.40%	7.70%	11.40%
2024	5.70%	6.80%	9.40%
2025	5.50%	6.90%	9.00%
2026	5.00%	4.90%	5.20%
2027	4.90%	4.80%	5.10%
2037	4.50%	4.50%	4.60%
2047	4.40%	4.30%	4.40%
2057	4.40%	4.30%	4.30%
2067	4.20%	4.20%	4.20%
2077+	3.80%	3.80%	3.80%

Premium Levels

The assumed annual medical retiree contributions used in the valuation are displayed below. These represent a weighted average of July 1, 2022 to June 30, 2023 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election. These contributions are assumed for both current retirees and future retirees. Contributions are the same for retirees and spouses of retirees. The contributions exclude the administration charge, the state surcharge reduction, the Limeade administration charge, the Consumer Directed Health Plan employer contribution, the health savings account (HSA) administration fee, and the HSA wellness fee, since these are direct pass-through expenses that are 100% paid by retirees.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 13: Other Postemployment Benefits (Continued)

Medical Plan	Subscriber or Spouse	
	Non-Medicare	Medicare
Weighted average based on current PEBB retirees	\$ 9,037.50	\$ 3,800.69

The assumed annual dental retiree contributions are displayed below. These represent a weighted average of July 1, 2022 to June 30, 2023 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan election. These contributions are assumed for both current retirees and future retirees.

Dental Plan	Subscriber	Spouse
Weighted average based on current PEBB retirees	\$ 578.19	\$ 578.19

Participant Data

The following participant data as of the valuation date was used:

	Attained Age At		Count
	Hire	Valuation	
Actives	39.1	48.9	171
Retirees	n/a	72	10

Note 14: Property Taxes

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

For the year ended December 31, 2023, the District's regular tax levy was \$0.51 per \$1,000 on a total assessed valuation of \$1,497,701,476, for a total regular tax levy of \$775,894.

For the year ended December 31, 2022, the District's regular tax levy was \$0.56 per \$1,000 on a total assessed valuation of \$1,332,653,041 for a total regular tax levy of \$750,506.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 15: Concentrations

Credit Risk

Financial instruments that subject the District to possible credit risk consist principally of patient accounts receivable, cash deposits in excess of insured limits, and investments of surplus operating funds. See Note 2 for more details regarding bank deposits and investments.

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 mix of receivables from patients and third-party payors was as follows at December 31:

	2023	2022
Medicare	45 %	40 %
Medicaid	13 %	14 %
Other third-party payors	26 %	34 %
Self-pay	16 %	12 %
Total all payors	100 %	100 %

Collective Bargaining Unit

Effective January 1, 2021, the District renewed its contract with a labor union. As of December 31, 2023 and 2022, approximately 30% and 32%, respectively, of the District's employees were represented by the union under a collective bargaining agreement with Service Employees International Union 1199NW. The contract is effective through December 31, 2024.

Note 16: 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 coverage in any of the three preceding years.

Lincoln County Public Hospital District No. 3

d/b/a Lincoln Hospital

Notes to Financial Statements

Note 16: Contingencies (Continued)

Medical Malpractice Claims

The District purchases Washington Casualty Company (Coverys) malpractice liability insurance through Alliant Insurance Services. Coverys provides protection on a “claims made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policy. If there are unreported incidents that result in a malpractice claim for the current year, these will be covered only in the year the claim is reported to the insurance carrier if the District purchases claims-made insurance in that year or if the District purchases extended coverage (tail) insurance to cover claims incurred before but reported after cancellation or expiration of a claims-made policy. The present liability limit is \$1,000,000 per claim, with an annual aggregate limit of \$5,000,000.

The District also purchased excess malpractice liability insurance through Alliant, which provides protection on an “excess” basis whereby claims reported to the insurance carrier are covered only in excess of primary malpractice liability coverage. The present liability limit is \$3,000,000 per claim, with an annual aggregate limit of \$3,000,000. There is no deductible on the policy.

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

Risk Transfer Pools

The District is self-insured for unemployment insurance 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. Premiums are charged to operations as they are incurred. Unemployment insurance expense was approximately \$8,000 and \$21,000 in 2023 and 2022, respectively.

Note 17: Related-Party Transactions

The Foundation

The Foundation was organized to solicit and accept charitable contributions in order to provide support for the District. The Foundation provided contributions to the District during 2023 and 2022 for various remodels and equipment purchases in the amounts of \$0 and \$217,000, respectively.

The Foundation’s financial position at December 31 is summarized as follows:

	2023	2022
Assets	\$ 3,259,238	\$ 2,809,437
Net assets	\$ 3,259,238	\$ 2,809,437

Required Supplementary Information

Lincoln County Public Hospital District No. 3
d/b/a Lincoln Hospital
Schedule of Changes in Total OPEB Liability and Related Ratios - Other
Postemployment Benefits

	2023	2022	2021	2020	2019	2018	2017
Effect of plan changes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,678,759
Service cost	279,728	265,675	264,658	192,569	248,336	215,762	-
Interest on total OPEB liability	74,959	69,408	94,800	103,800	119,666	109,333	-
Effect of economic/demographic gains or losses	(123,508)	-	(621,351)	-	372,038	-	-
Effect of assumptions changes or inputs	(1,540,423)	40,326	95,646	574,924	(1,621,187)	235,164	-
Benefits paid	(27,342)	(22,024)	(19,228)	(11,248)	(8,868)	(4,297)	-
Net change in total OPEB liability	(1,336,586)	353,385	(185,475)	860,045	(890,015)	555,962	2,678,759
Total OPEB liability, beginning	3,372,661	3,019,276	3,204,751	2,344,706	3,234,721	2,678,759	-
Total OPEB liability, ending	\$ 2,036,075	\$ 3,372,661	\$ 3,019,276	\$ 3,204,751	\$ 2,344,706	\$ 3,234,721	\$ 2,678,759
Covered employee payroll	\$15,659,499	\$14,552,824	\$13,940,138	\$13,891,166	\$12,670,148	\$12,093,702	N/A
Total OPEB liability as a % of covered employee payroll	13.00 %	23.18 %	21.66 %	23.07 %	18.51 %	26.75 %	N/A

GASB Statement 75 requires this information to be provided for 10 years. GASB Statement 75 was adopted in 2017, so 10 years of information is not available.

Notes to Schedule

- Changes of benefit terms: There are no changes of benefit terms.
- Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each period.

See Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

Board of Commissioners
Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital
Davenport, Washington

We have audited, in accordance with auditing standards generally accepted in the United States 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 Lincoln County Public Hospital District No. 3 d/b/a Lincoln Hospital (the "District"), which comprise the statements of net position as of December 31, 2023 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 23, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

May 23, 2024
Spokane, Washington