



Office of the Washington State Auditor Pat McCarthy

December 26, 2024

Board of Commissioners
Whitman Hospital and Medical Clinics
Colfax, Washington

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of Whitman Hospital and Medical Clinics for the fiscal year ended December 31, 2023. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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

Whitman County Public Hospital District No. 3 doing business as Whitman Hospital and Medical Clinics

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

December 31, 2023 and 2022

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Table of Contents

| | Page |
|---|-------------|
| <i>INDEPENDENT AUDITORS' REPORT</i> | 1-3 |
| <i>BASIC FINANCIAL STATEMENTS:</i> | |
| Statements of net position | 4-5 |
| Statements of financial position – discretely presented component unit | 6 |
| Statements of revenues, expenses, and changes in net position | 7 |
| Statements of activities – discretely presented component unit | 8 |
| Statements of cash flows | 9-10 |
| Notes to basic financial statements | 11-32 |
| <i>REQUIRED SUPPLEMENTARY INFORMATION</i> | |
| Schedule of changes in net pension asset | 33 |
| Schedule of employer contributions | 34 |
| Schedule of investment returns | 35 |
| <i>SINGLE AUDIT:</i> | |
| <i>AUDITORS' SECTION:</i> | |
| <i>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</i> | 36-37 |
| <i>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</i> | 38-40 |
| Schedule of audit findings and questioned costs | 41-42 |
| <i>AUDITEE'S SECTION:</i> | |
| Schedule of expenditures of federal awards | 43 |
| Summary schedule of prior audit findings | 44 |



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Colfax, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Whitman County Public Hospital District No. 3 doing business as Whitman Hospital and Medical Clinics (the District) and Whitman Community Hospital Foundation (the Foundation) as of and for the years ended December 31, 2023 and 2022, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District and Foundation'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 and Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of changes in net pension asset, employer contributions, and investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2024, on our consideration of the District and Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2023. We issued a similar report for the year ended December 31, 2022, dated June 8, 2023, which has not been included with the 2023 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District and Foundation's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District and Foundation's internal control over financial reporting and compliance.

D3A PLLC

Spokane Valley, Washington
June 7, 2024

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Statements of Net Position
December 31, 2023 and 2022

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 2023 | 2022 |
|--|----------------------|----------------------|
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 24,201,747 | \$ 29,692,801 |
| Receivables: | | |
| Patient accounts | 9,129,396 | 6,948,936 |
| Estimated third-party payor settlements | 2,577,475 | 452,669 |
| 340B contract pharmacy | - | 205,103 |
| Taxes restricted for debt service | 36,417 | 38,761 |
| Other | 125,436 | 118,668 |
| Inventories | 1,146,695 | 1,135,854 |
| Prepaid expenses | 913,219 | 1,200,438 |
| Cash and cash equivalents restricted for debt service | 105,215 | 109,179 |
| Total current assets | 38,235,600 | 39,902,409 |
| <i>Noncurrent assets</i> | | |
| Estimated third-party payor settlements | 133,500 | 178,000 |
| Capital assets, net of accumulated depreciation and amortization | 25,557,363 | 19,826,582 |
| Net pension asset | 774,805 | 582,575 |
| Total noncurrent assets | 26,465,668 | 20,587,157 |
| Total assets | 64,701,268 | 60,489,566 |
| <i>Deferred outflows of resources</i> | | |
| Pension plan | 436,572 | 486,548 |
| Total assets and deferred outflows of resources | \$ 65,137,840 | \$ 60,976,114 |

See accompanying notes to basic financial statements.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Statements of Net Position (Continued)
December 31, 2023 and 2022

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2023 | 2022 |
|---|----------------------|----------------------|
| <i>Current liabilities</i> | | |
| Current maturities of long-term debt and other noncurrent liabilities | \$ 1,612,656 | \$ 1,452,349 |
| Accounts payable | 2,168,452 | 1,555,985 |
| Accrued compensation and related liabilities | 2,255,080 | 2,112,895 |
| Accrued vacation | 1,193,752 | 1,020,093 |
| Accrued interest payable | 9,745 | 15,497 |
| Total current liabilities | 7,239,685 | 6,156,819 |
| <i>Noncurrent liabilities</i> | | |
| Long-term debt and other noncurrent liabilities, less current maturities | 4,450,048 | 4,315,193 |
| Total liabilities | 11,689,733 | 10,472,012 |
| <i>Deferred inflows of resources</i> | | |
| Pension plan | 262,385 | 163,276 |
| <i>Net position</i> | | |
| Net investment in capital assets | 19,848,425 | 14,497,932 |
| Restricted for debt service | 141,632 | 147,940 |
| Unrestricted | 33,195,665 | 35,694,954 |
| Total net position | 53,185,722 | 50,340,826 |
| Total liabilities, deferred inflows of resources, and net position | \$ 65,137,840 | \$ 60,976,114 |

See accompanying notes to basic financial statements.

Whitman Community Hospital Foundation
Statements of Financial Position – Discretely Presented Component Unit
December 31, 2023 and 2022

| ASSETS | 2023 | 2022 |
|---------------------------------------|--------------|--------------|
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 74,426 | \$ 209,135 |
| Investments | 7,817,616 | 6,305,818 |
| Total current assets | \$ 7,892,042 | \$ 6,514,953 |
| NET ASSETS | | |
| Net assets without donor restrictions | \$ 7,892,042 | \$ 6,514,953 |

See accompanying notes to basic financial statements.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------|---------------|
| <i>Operating revenues</i> | | |
| Net patient service revenue | \$ 52,237,363 | \$ 46,627,059 |
| 340B contract pharmacy revenue | 3,715,562 | 3,827,494 |
| Grants | 92,227 | 74,345 |
| Other | 444,047 | 404,969 |
| Total operating revenues | 56,489,199 | 50,933,867 |
| <i>Operating expenses</i> | | |
| Salaries and wages | 22,677,818 | 20,169,739 |
| Employee benefits | 5,957,811 | 5,612,010 |
| Professional fees | 5,226,275 | 5,145,972 |
| Supplies | 6,390,945 | 6,071,112 |
| Utilities | 785,189 | 726,819 |
| Purchased services | 8,288,517 | 6,999,925 |
| Insurance | 485,880 | 454,229 |
| Repairs and maintenance | 1,148,716 | 993,081 |
| Leases and rentals | 132,908 | 52,986 |
| Depreciation and amortization | 3,024,497 | 2,633,656 |
| Other | 1,090,502 | 916,636 |
| Total operating expenses | 55,209,058 | 49,776,165 |
| Operating income | 1,280,141 | 1,157,702 |
| <i>Nonoperating revenues (expenses)</i> | | |
| Taxation for debt service | 1,000,688 | 1,006,748 |
| Investment return | 1,258,967 | 413,580 |
| Interest expense | (237,193) | (249,513) |
| CARES Act Provider Relief Fund | - | 1,121,719 |
| Joint venture | (457,707) | (503,293) |
| Gain on disposal of capital asset | - | 2,200 |
| Total nonoperating revenues (expenses), net | 1,564,755 | 1,791,441 |
| Change in net position | 2,844,896 | 2,949,143 |
| Net position, beginning of year | 50,340,826 | 47,391,683 |
| Net position, end of year | \$ 53,185,722 | \$ 50,340,826 |

See accompanying notes to basic financial statements.

Whitman Community Hospital Foundation
Statements of Activities – Discretely Presented Component Unit
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| <i>Support and revenue</i> | | |
| Contributions | \$ 332,484 | \$ 72,425 |
| Investment return | 1,111,674 | (1,544,847) |
| Total support and revenue | 1,444,158 | (1,472,422) |
| <i>Expenses</i> | | |
| Program services | 121 | - |
| Management and general | 14,462 | 12,530 |
| Fundraising | 52,486 | 10,935 |
| Total expenses | 67,069 | 23,465 |
| Change in net assets without donor restrictions | 1,377,089 | (1,495,887) |
| Net assets without donor restrictions, beginning of year | 6,514,953 | 8,010,840 |
| Net assets without donor restrictions, end of year | \$ 7,892,042 | \$ 6,514,953 |

See accompanying notes to basic financial statements.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| <i>Change in Cash and Cash Equivalents</i> | | |
| <i>Cash flows from operating activities</i> | | |
| Receipts from and on behalf of patients | \$ 47,976,597 | \$ 45,790,731 |
| Receipts from grants | 92,227 | 74,345 |
| Receipts from 340B contract pharmacy | 3,920,665 | 4,067,203 |
| Other receipts | 444,047 | 404,969 |
| Payments to and on behalf of employees | (28,362,930) | (25,357,298) |
| Payments to suppliers and contractors | (22,666,855) | (21,211,948) |
| Net cash from operating activities | 1,403,751 | 3,768,002 |
| <i>Cash flows from noncapital and related financing activities</i> | | |
| Principal paid on long-term debt | (90,878) | (90,878) |
| Proceeds from CARES Act Provider Relief Fund | - | 1,121,719 |
| Net cash from noncapital and related financing activities | (90,878) | 1,030,841 |
| <i>Cash flows from capital and related financing activities</i> | | |
| Taxation for bond principal and interest | 1,003,032 | 997,228 |
| Principal paid on long-term debt and other noncurrent liabilities | (1,361,504) | (1,345,118) |
| Interest paid on long-term debt and other noncurrent liabilities | (242,945) | (255,182) |
| Purchase of capital assets | (7,007,734) | (1,371,345) |
| Net cash from capital and related financing activities | (7,609,151) | (1,974,417) |
| <i>Cash flows from investing activities</i> | | |
| Payments to joint ventures | (457,707) | (503,293) |
| Interest received | 1,258,967 | 413,580 |
| Net cash from investing activities | 801,260 | (89,713) |
| Net change in cash and cash equivalents | (5,495,018) | 2,734,713 |
| Cash and cash equivalents, beginning of year | 29,801,980 | 27,067,267 |
| Cash and cash equivalents, end of year | \$ 24,306,962 | \$ 29,801,980 |

See accompanying notes to basic financial statements.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| <i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i> | | |
| Cash and cash equivalents in current assets | \$ 24,201,747 | \$ 29,692,801 |
| Cash and cash equivalents restricted for debt service | 105,215 | 109,179 |
| Total cash and cash equivalents | \$ 24,306,962 | \$ 29,801,980 |
| <i>Reconciliation of Operating Income to Net Cash From Operating Activities</i> | | |
| Operating income | \$ 1,280,141 | \$ 1,157,702 |
| <i>Adjustments to reconcile operating income to net cash from operating activities</i> | | |
| Depreciation and amortization | 3,024,497 | 2,633,656 |
| Provision for bad debts | 783,621 | 857,728 |
| Change in assets: | | |
| Patient accounts receivable | (2,964,081) | (2,063,887) |
| Estimated third-party payor settlements | (2,080,306) | 369,831 |
| 340B contract pharmacy receivables | 205,103 | 239,709 |
| Other receivables | (6,768) | 196,047 |
| Inventories | (10,841) | 93,796 |
| Prepaid expenses | 287,219 | (588,409) |
| Net pension asset | (192,230) | 686,683 |
| Deferred outflows of resources, pension plan | 49,976 | (380,738) |
| Change in liabilities: | | |
| Accounts payable | 612,467 | 447,378 |
| Accrued compensation and related liabilities | 142,185 | 361,704 |
| Accrued vacation | 173,659 | 44,677 |
| Deferred inflows of resources, pension plan | 99,109 | (287,875) |
| Net cash from operating activities | \$ 1,403,751 | \$ 3,768,002 |

Noncash Capital and Related Financing Activities

During the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in recognizing one new subscription asset totaling \$1,747,544.

During the year ended December 31, 2022, the District entered into a new lease agreement for a medical building totaling \$1,360,010.

See accompanying notes to basic financial statements.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements
Years Ended December 31, 2023 and 2022

1. Reporting Entity, Foundation, and Summary of Significant Accounting Policies:

a. Reporting Entity

Whitman County Public Hospital District No. 3 (the District) operates Whitman Hospital and Medical Clinics, a 25-bed critical access hospital, primary care clinic, gastroenterology clinic, general surgery clinic, and orthopedic clinic in Colfax, Washington, and primary care clinics in St. John, Tekoa, and Garfield, Washington. The District provides healthcare services to patients in the Colfax, Washington, area. The services provided include acute care, emergency room, surgical and related ancillary procedures (laboratory, imaging, therapy, etc.) associated with those services, and primary care and specialty clinic services.

The District operates under the laws of the state of Washington for Washington municipal corporations. The Board of Commissioners consists of five community members elected to six-year terms.

The District also has dual status as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code). The District is exempt from federal income tax.

b. Foundation

The Whitman Community Hospital Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the District. The Foundation did not provide any support to the District during 2023 and 2022. The Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code from federal income taxes except for unrelated business income.

Functional expenses – The Foundation’s expenses are directly assigned to functional categories. Program expenses consist primarily of support provided to other organizations. Management and general and fundraising expenses consist primarily of purchased services, supplies, and other miscellaneous expenses.

| 2023 | | | | | |
|---------------------------------------|---------------|---------------------------|------------------|-------------------|--|
| | Program | Management and General | Fundraising | Total Expenses | |
| Salaries, benefits, and payroll taxes | \$ - | \$ 4,817 | \$ 17,481 | \$ 22,298 | |
| Occupancy | - | 1,100 | - | 1,100 | |
| Insurance | - | 4,035 | - | 4,035 | |
| Other | 121 | 4,510 | 35,005 | 39,636 | |
| Total expenses | \$ 121 | \$ 14,462 | \$ 52,486 | \$ 67,069 | |

| 2022 | | | | | |
|---------------------------------------|-------------|---------------------------|------------------|-------------------|--|
| | Program | Management and General | Fundraising | Total Expenses | |
| Salaries, benefits, and payroll taxes | \$ - | \$ 6,671 | \$ 5,822 | \$ 12,493 | |
| Occupancy | - | 1,100 | - | 1,100 | |
| Insurance | - | 2,249 | - | 2,249 | |
| Other | - | 2,510 | 5,113 | 7,623 | |
| Total expenses | \$ - | \$ 12,530 | \$ 10,935 | \$ 23,465 | |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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

b. Foundation (continued)

Liquidity and availability of resources – The Foundation’s primary objective is to build its investments to \$10,000,000 so that in the event of financial difficulties of the District, the income from the investments would be available as a source of financial support and reduce the possible need for tax revenue. The Foundation’s secondary objective is to make funds available to the District for projects and activities which the Foundation limits to 15 percent of investment income, excluding gains and losses.

Fair value measurements – The Foundation defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. The Foundation classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active, or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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

b. Foundation (continued)

Investments – The fair values of investments measured on a recurring basis using quoted prices in active markets for identical values (Level 1) are as follows:

| | 2023 | 2022 |
|---|--------------|--------------|
| <i>Cash, money markets, and bank deposits</i> | \$ 148,879 | \$ 20,371 |
| <i>Asset and mortgage-backed securities</i> | 743 | 895 |
| <i>Mutual funds, fixed income</i> | | |
| Allocation 30% to 50% | 68,916 | 63,443 |
| Allocation 70% to 80% | 906,612 | 795,939 |
| Money Market Taxable | 103,418 | - |
| Multisector Bond | 425,650 | 326,331 |
| World Allocation | 806,638 | 699,236 |
| <i>Mutual funds, equity</i> | | |
| Allocation 50% to 70% | 1,119,139 | 927,136 |
| Allocation 85%+ | 138,294 | 121,695 |
| Communication | 371,453 | 266,704 |
| Diversified Emerging Markets | 80,395 | 69,258 |
| Global Large-Stock Growth | 240,960 | 192,945 |
| Large Growth | 1,233,112 | 1,092,433 |
| Large Value | 342,603 | 247,171 |
| Mid-Cap Value | 344,057 | 285,986 |
| Small Growth | 264,778 | 224,135 |
| World Bond | 77,157 | 71,115 |
| World Large Stock | 708,533 | 554,181 |
| World Small/Mid Stock | 436,279 | 346,844 |
| | \$ 7,817,616 | \$ 6,305,818 |

c. Summary of Significant Accounting Policies

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

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

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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

c. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less. All cash receipts are deposited directly to the District’s depository accounts at a bank. Periodically, such cash is transferred to the Whitman County Treasurer and the warrants are paid by the County Treasurer from this fund.

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

Capital assets – The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses are incurred. Capital assets, other than lease and subscription assets, are reported at historical cost or their estimated fair value at the date of donation. Lease and subscription assets are stated at the present value of the future lease payments plus any payments made at or before the start of the lease or subscription and costs to place the asset in service. Lease and subscription assets are amortized on the straight-line method over the shorter period of the lease or subscription term or the estimated useful life of the assets. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method. Useful lives have been estimated as follows:

| | |
|--------------------------------|---------------|
| Land improvements | 5 to 25 years |
| Buildings and improvements | 5 to 40 years |
| Fixed equipment | 5 to 20 years |
| Major movable equipment | 3 to 5 years |
| Lease assets: | |
| Buildings | 10 years |
| Equipment | 5 years |
| Subscription assets – software | 5 years |

Compensated absences – The District’s policy is to permit regular status full-time employees to accrue paid time off (PTO) benefits. Regular status part-time employees will earn PTO benefits on a pro-rated basis according to actual hours worked (up to 80 hours worked per pay period). Supplemental employees do not accrue PTO. PTO can be accumulated up to a maximum of 560 hours. All PTO is accrued and expensed when earned.

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

**Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022**

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

c. Summary of Significant Accounting Policies (continued)

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

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

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

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

Change in accounting principle – In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use subscription asset — an intangible asset — and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District’s year ending December 31, 2023. See Notes 4 and 5 for additional information on the subscription assets and liabilities recorded by the District.

Subsequent events – Subsequent events have been reviewed through June 7, 2024, the date on which the financial statements were available to be issued.

**Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022**

2. Bank Deposits and Investments:

The *Revised Code of Washington*, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. Amounts invested in the Washington State Local Government Investment Pool at December 31, 2023 and 2022, were \$22,454,521 and \$24,209,935, respectively.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. All District deposits are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in multiple financial institution collateral pools administered by the Washington Public Deposit Protection Commission, and all investments are insured, registered, or held by the District's agent in the District's name.

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

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

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District believes that its interest rate risk is minimal.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

3. Patient Accounts Receivable:

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

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

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

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Receivables from patients and their insurance carriers | \$ 5,081,333 | \$ 3,821,921 |
| Receivables from Medicare | 3,671,530 | 3,032,290 |
| Receivables from Medicaid | 1,147,386 | 775,814 |
| Total patient accounts receivable | 9,900,249 | 7,630,025 |
| Less allowance for uncollectible accounts | 770,853 | 681,089 |
| Patient accounts receivable, net | \$ 9,129,396 | \$ 6,948,936 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Capital Assets:

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

| | Balance December 31, 2022 | Additions | Retirements | Transfers | Balance December 31, 2023 |
|--|---------------------------------|---------------------|--------------------|-------------|---------------------------------|
| <i>Capital assets not being depreciated or amortized</i> | | | | | |
| Land | \$ 397,262 | \$ - | \$ - | \$ - | \$ 397,262 |
| Construction in progress | 132,272 | 2,260,774 | (27,578) | (24,196) | 2,341,272 |
| Total capital assets not being depreciated or amortized | 529,534 | 2,260,774 | (27,578) | (24,196) | 2,738,534 |
| <i>Capital assets being depreciated or amortized</i> | | | | | |
| Land improvements | 492,259 | - | - | - | 492,259 |
| Building and improvements | 38,802,500 | - | - | - | 38,802,500 |
| Fixed equipment | 5,279,202 | 56,327 | - | 24,196 | 5,359,725 |
| Major movable equipment | 11,988,126 | 862,577 | - | - | 12,850,703 |
| <i>Lease right-of-use assets</i> | | | | | |
| Buildings | 1,367,831 | - | - | - | 1,367,831 |
| Equipment | 169,414 | - | - | - | 169,414 |
| <i>Subscription assets</i> | | | | | |
| Software | - | 5,603,178 | - | - | 5,603,178 |
| Total capital and lease right-of-use assets being depreciated or amortized | 58,099,332 | 6,522,082 | - | 24,196 | 64,645,610 |
| <i>Less accumulated depreciation and amortization for</i> | | | | | |
| Land improvements | 453,614 | 11,635 | - | - | 465,249 |
| Building and improvements | 24,325,793 | 1,613,203 | - | - | 25,938,996 |
| Fixed equipment | 3,747,336 | 244,698 | - | - | 3,992,034 |
| Major movable equipment | 10,003,605 | 566,964 | - | - | 10,570,569 |
| <i>Lease right-of-use assets</i> | | | | | |
| Buildings | 102,522 | 136,783 | - | - | 239,305 |
| Equipment | 169,414 | - | - | - | 169,414 |
| <i>Subscription assets</i> | | | | | |
| Software | - | 451,214 | - | - | 451,214 |
| Total accumulated depreciation and amortization | 38,802,284 | 3,024,497 | - | - | 41,826,781 |
| Total capital assets being depreciated and amortized, net | 19,297,048 | 3,497,585 | - | 24,196 | 22,818,829 |
| Capital assets, net | \$ 19,826,582 | \$ 5,758,359 | \$ (27,578) | \$ - | \$ 25,557,363 |

Construction in process on December 31, 2023, consists primarily of cost relating to the implementation of a new software system and a new RV park. The software system implementation was completed in January 2024 and required approximately \$120,000 of additional cost. The RV park was completed in April 2024 and required approximately \$282,000 of additional cost.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Capital Assets (continued):

| | Balance December 31, 2021 | Additions | Retirements | Transfers | Balance December 31, 2022 |
|--|---------------------------------|--------------|-------------|-----------|---------------------------------|
| <i>Capital assets not being depreciated</i> | | | | | |
| Land | \$ 397,262 | \$ - | \$ - | \$ - | \$ 397,262 |
| Construction in progress | 434,581 | 132,272 | - | (434,581) | 132,272 |
| Total capital assets not being depreciated | 831,843 | 132,272 | - | (434,581) | 529,534 |
| <i>Capital assets being depreciated</i> | | | | | |
| Land improvements | 492,259 | - | - | - | 492,259 |
| Building and improvements | 38,138,502 | 237,238 | - | 426,760 | 38,802,500 |
| Fixed equipment | 5,036,771 | 250,905 | (8,474) | - | 5,279,202 |
| Major movable equipment | 11,774,196 | 335,644 | (121,714) | - | 11,988,126 |
| <i>Lease right-of-use assets</i> | | | | | |
| Buildings | - | 1,360,010 | - | 7,821 | 1,367,831 |
| Equipment | 199,740 | - | (30,326) | - | 169,414 |
| Total capital assets and lease right-of-use being depreciated or amortized | 55,641,468 | 2,183,797 | (160,514) | 434,581 | 58,099,332 |
| <i>Less accumulated depreciation for</i> | | | | | |
| Land improvements | 441,199 | 12,415 | - | - | 453,614 |
| Building and improvements | 22,690,789 | 1,635,004 | - | - | 24,325,793 |
| Fixed equipment | 3,445,939 | 309,871 | (8,474) | - | 3,747,336 |
| Major movable equipment | 9,595,244 | 530,075 | (121,714) | - | 10,003,605 |
| <i>Lease right-of-use assets</i> | | | | | |
| Buildings | - | 102,522 | - | - | 102,522 |
| Equipment | 155,971 | 43,769 | (30,326) | - | 169,414 |
| Total accumulated depreciation | 36,329,142 | 2,633,656 | (160,514) | - | 38,802,284 |
| Total capital assets being depreciated, net | 19,312,326 | (449,859) | - | 434,581 | 19,297,048 |
| Capital assets, net | \$ 20,144,169 | \$ (317,587) | \$ - | \$ - | \$ 19,826,582 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities:

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

| | Balance December 31, 2022 | Additions | Reductions | Balance December 31, 2023 | Amounts Due Within One Year |
|---|---------------------------------|---------------------|-----------------------|---------------------------------|-----------------------------------|
| <i>Long-term debt</i> | | | | | |
| 2006 UTGO | \$ 3,650,000 | \$ - | \$ (855,000) | \$ 2,795,000 | \$ 895,000 |
| 2013 Revenue Bond | 394,590 | - | (394,590) | - | - |
| Liability to Providence Health & Services | 454,389 | - | (90,878) | 363,511 | 90,878 |
| <i>Lease liabilities</i> | | | | | |
| Building | 1,268,563 | - | (111,914) | 1,156,649 | 117,639 |
| <i>Subscription liabilities</i> | | | | | |
| Subscription liabilities | - | 1,747,544 | - | 1,747,544 | 509,139 |
| Total long-term debt and lease liabilities | \$ 5,767,542 | \$ 1,747,544 | \$ (1,452,382) | \$ 6,062,704 | \$ 1,612,656 |
| | | | | | |
| | Balance December 31, 2021 | Additions | Reductions | Balance December 31, 2022 | Amounts Due Within One Year |
| <i>Long-term debt</i> | | | | | |
| 2006 UTGO | \$ 4,475,000 | \$ - | \$ (825,000) | \$ 3,650,000 | \$ 855,000 |
| 2013 Revenue Bond | 777,394 | - | (382,804) | 394,590 | 394,558 |
| Liability to Providence Health & Services | 545,267 | - | (90,878) | 454,389 | 90,878 |
| <i>Lease liabilities</i> | | | | | |
| Equipment | 45,867 | - | (45,867) | - | - |
| Building | - | 1,360,010 | (91,447) | 1,268,563 | 111,913 |
| Total long-term debt and lease liabilities | \$ 5,843,528 | \$ 1,360,010 | \$ (1,435,996) | \$ 5,767,542 | \$ 1,452,349 |

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

Unlimited tax general obligation bonds – The District issued unlimited tax general obligation (UTGO) bonds on December 20, 2006 (the 2006 Bonds), in the original amount of \$8,590,000. The interest for the 2006 Bonds is payable semiannually on June 1 and December 1 of each year until maturity. The interest rates vary from 4 percent to 4.2 percent. Principal payments range from \$895,000 in 2024 to \$970,000 in 2026, when the final bonds payment is due.

Proceeds from both UTGO bond issues were used to finance building improvements to expand and modernize the District's facilities.

The UTGO bonds are direct and general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District. The voters of the District approved the 2006 Bonds, and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities (continued):

Note payable – Note payable to Providence Health & Services – Washington, a Washington nonprofit corporation, in the original amount of \$908,779 effective July 2017. Annual installments of \$90,878 are due through 2027. The note payable is for underfunded pension contributions. The note payable is interest free and imputed interest is not material.

Lease liabilities – The District entered into a \$1,268,562 lease agreement with Fairview Developers, for a Gastroenterology and General Surgery building due in monthly installments of \$14,400. The lease agreement has an imputed interest of 5.00 percent through February 2032.

Subscription liabilities – The District entered into a \$1,747,545 subscription agreement with Epic for software services due in quarterly installments of varying amounts. The subscription agreement has an imputed interest of 4.5 percent through January 2027.

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

| Years Ending December 31, | Principal | Interest | Total |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 895,000 | \$ 116,943 | \$ 1,011,943 |
| 2025 | 930,000 | 79,800 | 1,009,800 |
| 2026 | 970,000 | 40,740 | 1,010,740 |
| | \$ 2,795,000 | \$ 237,483 | \$ 3,032,483 |

Scheduled principal and interest repayments on the District's note payable are as follows:

| Years Ending December 31, | Principal | Interest | Total |
|--------------------------------------|-------------------|-----------------|-------------------|
| 2024 | \$ 90,878 | \$ - | \$ 90,878 |
| 2025 | 90,878 | - | 90,878 |
| 2026 | 90,878 | - | 90,878 |
| 2027 | 90,877 | - | 90,877 |
| | \$ 363,511 | \$ - | \$ 363,511 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt and Other Noncurrent Liabilities (continued):

Scheduled principal and interest repayments on the District's lease liability is as follows:

| Years Ending December 31, | Principal | Interest | Total |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 117,639 | \$ 55,161 | \$ 172,800 |
| 2025 | 123,658 | 49,142 | 172,800 |
| 2026 | 129,984 | 42,816 | 172,800 |
| 2027 | 136,635 | 36,165 | 172,800 |
| 2028-2032 | 648,733 | 71,267 | 720,000 |
| | \$ 1,156,649 | \$ 254,551 | \$ 1,411,200 |

Scheduled principal and interest repayments on the District's subscription liability is as follows:

| Years Ending December 31, | Principal | Interest | Total |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 509,139 | \$ 64,311 | \$ 573,450 |
| 2025 | 525,028 | 41,270 | 566,298 |
| 2026 | 566,606 | 16,390 | 582,996 |
| 2027 | 146,771 | - | 146,771 |
| | \$ 1,747,544 | \$ 121,971 | \$ 1,869,515 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). 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 District's provisions for bad debts and writeoffs have not changed significantly. The District has not changed its charity care or uninsured discount policies during 2023 or 2022. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows.

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Patient service revenue (net of contractual adjustments and discounts): | | |
| Medicare | \$ 25,318,198 | \$ 23,206,326 |
| Medicaid | 7,572,048 | 6,288,344 |
| Other third-party payors | 18,632,255 | 17,231,234 |
| Patients | 2,035,296 | 950,095 |
| | 53,557,797 | 47,675,999 |
| Less: | | |
| Charity care | 536,813 | 191,212 |
| Provision for bad debts | 783,621 | 857,728 |
| Net patient service revenue | \$ 52,237,363 | \$ 46,627,059 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. Net Patient Service Revenue (continued):

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

- **Medicare** – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Medicare program’s administrative procedures preclude final determination of amounts due to the District for such services until three years after the District’s cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor. Hospital-based physicians and freestanding clinics are reimbursed on a fee schedule.
- **Medicaid** – Medicaid beneficiaries receive coverage through either the Washington State Health Care Authority (HCA) or Medicaid managed care organizations (MCOs). The District is reimbursed for MCO covered inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses of the District. The District is reimbursed by the HCA for inpatient and outpatient services under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and review by HCA.
- **Other** – The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedule, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$0 and \$52,000 in the years ended December 31, 2023 and 2022, respectively, due to differences between original estimates and final settlements.

The District has recorded an estimated third-party payor receivable related to the liability to Providence Health & Services – Washington (see Note 5) for prior year unfunded pension contributions. The pension plan expense is related to the years ended December 31, 2010 through 2014. Therefore, the additional third-party payor reimbursement is also from prior periods. The District will receive the additional third-party payor reimbursement as the note payable principal payments are paid in future years. Such payments will be included and reimbursed through Medicare and Medicaid cost report settlements.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. Net Patient Service Revenue (continued):

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2023 and 2022, were \$381,000 and \$134,000, respectively. The District did not receive any gifts or grants to subsidize charity care services during 2023 and 2022.

7. Property Taxes:

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

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

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

For 2023, the District's bond levy was \$0.89050 per \$1,000 on a total assessed valuation of \$1,127,411,997, for a total bond levy of \$1,003,959. For 2022, the District's bond levy was \$0.91669 per \$1,000 on a total assessed valuation of \$1,100,845,004, for a total bond levy of \$1,009,138.

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

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Defined Benefit Plan:

The Providence Health and Services Cash Balance Retirement Plan (the Plan) is a frozen defined benefit plan that is available to substantially all employees who were actively employed prior to or on December 31, 2009, with at least 800 hours of service in 2009. This is a single-employer plan. The pension fund is managed by the Providence Health & Services Systems Investment Committee (Providence). Employer contributions become vested after five years, where the employee has worked at least 800 hours of service to receive one year of credited vesting services. Employees do not currently contribute to this plan.

Benefit provisions for the Plan are listed below. Any amendments to the benefit provisions of this pension plan are recommended by the plan trustees (chief executive officer/administrators) and approved by Providence in their role as the pension plan sponsor.

- ***Normal retirement benefit*** – Participant’s benefit is the greater of the following:
 - *Cash balance benefit* – Sum of annual pay credits and monthly interest credits equal to the member’s cash balance account at the beginning of the plan year of determination plus 1/12th of the interest crediting rate for that year. Annual pay credits are equal to the sum of the greater of 5 percent eligible compensation, or an alternate percentage ranging from 5.5 percent to 12.5 percent, depending on age under the Rule of 50 table, and 5 percent of total base compensation in excess of social security taxable wage base.
 - *Grandfathered benefit* – Applies to members with at least 15 years of service as of January 1, 1998, and calculated at 1.5 percent of final average salary.
- ***Early retirement benefit*** – Participants may elect early retirement at any time after having attained the age of 55 and accumulated five years of vested service. This accrued benefit is actuarially reduced to reflect immediate commencement of benefits.
- ***Delayed retirement benefit*** – A member may continue employment after the Normal Retirement Date (age 65) and cash balance interest credits continue to accrue through the delayed retirement date, which is the earlier of the first of the month after which the member is not employed, and the April 1 following the later of (1) calendar year following attainment of age 70 1/2, or (2) the calendar year of retirement.
- ***Death benefit*** – If the participant dies after vesting but before commencement of benefits, a lump-sum value of accrued benefit will be paid out based on age and service on date of death. A nonvested member who dies while an eligible employee immediately becomes 100 percent vested.
- ***Termination benefits*** – If terminated after earning five or more years of vesting service, the member is entitled to a vested deferred monthly benefit or an immediate lump sum.
- ***Benefit payout options*** – Straight life annuity; 10-year certain and life annuity; social security adjustment; 50 percent and 100 percent Joint and Survivor annuities; and single-sum cash distribution.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Defined Benefit Plan (continued):

Funding policy – A target funded ratio of 130 percent was determined by Providence in 1995, requiring the District to make contributions based on 4.0 percent of total gross payroll starting in 2003 and carried through 2014. Beginning in 2015, contributions are not expected unless the funded ratio drops below the 130 percent threshold.

The Internal Revenue Service determined that the Plan is a church plan under Internal Revenue Code (IRC) Section 414(e), and as a result is no longer subject to Section 412 of the IRC concerning minimum funding standards. An annual report on the Plan is available upon request.

The District did not contribute to the Plan during the years ended December 31, 2023 and 2022.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – The net pension asset was measured as of December 31, 2023 and 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021 and 2020, respectively. For the years ended December 31, 2023 and 2022, the District recognized pension expense of (\$43,145) and \$18,069, respectively.

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources 2023 | Deferred Outflows of Resources 2023 |
|--|---|--|
| Differences between expected and actual experience | \$ (16,782) | \$ 435,443 |
| Changes of assumptions or inputs | (112,313) | 1,129 |
| Net difference between projected and actual earnings | (133,290) | - |
| Total | \$ (262,385) | \$ 436,572 |

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources 2022 | Deferred Outflows of Resources 2022 |
|--|---|--|
| Differences between expected and actual experience | \$ (46,967) | \$ 3,109 |
| Changes of assumptions or inputs | (116,309) | 38,350 |
| Net difference between projected and actual earnings | - | 445,089 |
| Total | \$ (163,276) | \$ 486,548 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Defined Benefit Plan (continued):

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued) – Amounts currently reported as deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31, | |
|--------------------------------------|-------------------|
| 2024 | \$ 65,136 |
| 2025 | 177,038 |
| 2026 | 75,795 |
| 2027 | (143,782) |
| Total | \$ 174,187 |

Actuarial assumptions – The total pension asset in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2022 | 2023 |
|--|-------------|-------------|
| Discount rate | 6.75% | 6.75% |
| Long-term expected rate of return, net of investment expense | 6.75% | 6.75% |

The mortality rates are according to the Pri-2012 Blue Collar Tables adjusted and projected forward from the 2012 base year using scale MP-2021.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The policy allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Policy Allocation | Long-term Expected Real Rate of Return |
|-----------------------|------------------------------|---|
| US Core Fixed Income | 10.00% | 1.75% |
| US Long Credit Bonds | 10.00% | 2.33% |
| Private Credit | 5.00% | 5.84% |
| Global Equity | 55.00% | 4.60% |
| Private Equity | 5.00% | 6.25% |
| Infrastructure-Public | 5.00% | 4.24% |
| Hedge FOF Diversified | 10.00% | 2.19% |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Defined Benefit Plan (continued):

Sensitivity of the District's net pension asset (liability) to changes in the discount rate – The following presents the net pension asset (liability) of the District, calculated using the discount rate of 6.75 percent, as well as what the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

| | Current Discount | | |
|-------------------------|-------------------------|--------------|--------------------|
| | 1% Decrease | Rate | 1% Increase |
| | 5.75% | 6.75% | 7.75% |
| Total pension liability | \$ 3,060,422 | \$ 2,826,322 | \$ 2,688,577 |
| Fiduciary net position | 3,637,127 | 3,637,127 | 3,637,127 |
| Net pension asset | (576,705) | (774,805) | (948,550) |

Pension plan fiduciary net position – Detailed information about the Plan's fiduciary net position is available in the separately issued financial report.

Plan asset composition – The composition of Plan assets is as follows:

| | 2023 | 2022 |
|--------------------------|---------------------|---------------------|
| <i>Investments:</i> | | |
| Equity | \$ 2,095,293 | \$ 1,598,940 |
| Debt (fixed income) | 878,184 | 297,240 |
| Hedge funds | 564,527 | 617,530 |
| Alternative investments | 99,123 | 397,392 |
| Total plan assets | \$ 3,637,127 | \$ 2,911,102 |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

9. Defined Contribution Plan:

WHMC Retirement Plan (the 403(b) Plan) is an employer-sponsored defined contribution plan. The 403(b) Plan is a restatement of a previous plan administered by Providence. The District is the plan administrator. The 403(b) Plan can be amended only by the District. All eligible employees age 18 or older may enroll in the 403(b) Plan immediately at the time of hire and anytime thereafter. The District matches 50 percent of employee contributions, up to the first 6 percent of pay the employee contributes to the 403(b) Plan depending on their years of service. The employee is 100 percent vested in the matching contribution immediately. Additionally, employees may receive an allocation of any service contributions the District makes to the 403(b) Plan. Service contributions are expected to be 3 percent to 10 percent of the employee's pay depending on the employee's years of service. An employee is fully vested in the service contribution account after completing five years of vesting service. Employee contributions to the 403(b) Plan were approximately \$1,247,000 and \$1,173,000 in the years ended December 31, 2023 and 2022, respectively. Employer contributions to the 403(b) Plan were approximately \$943,000 and \$920,000 for the years ended December 31, 2023 and 2022, respectively. The District has recorded an accrued defined contribution plan payable (included with accrued compensation and related liabilities) of \$646,000 and \$645,000 at December 31, 2023 and 2022, respectively.

The District sponsors a deferred compensation plan. The WHMC Retirement Plan (the 457b Plan) covers substantially all of the District's employees who have reached the age of 18. Participants may defer a percentage of their compensation up to certain limits specified by the Internal Revenue Code. Participants are fully vested in their salary deferrals to the 457b Plan. Participant contributions to the 457b Plan during the years ended December 31, 2023 and 2022, were approximately \$138,000 and \$104,000, respectively.

10. Contingencies:

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

Risk transfer pool – The District has workers' compensation benefits through the Public Hospital District Workers' Compensation Trust. This fund is a risk transfer pool administered by the Washington Hospital Services. Premiums are charged to operations as they are incurred. Total workers' compensation benefits expense was approximately \$266,000 and \$153,000 in 2023 and 2022, respectively.

**Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022**

10. Contingencies (continued):

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

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

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

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

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

Joint venture – Palouse Specialties, P.S. is a joint venture of Gritman Medical Center, Pullman Regional Hospital, and Whitman Hospital and Medical Clinics. The three hospitals have created this organization to provide urology, oncology, and ear, nose, and throat, and audiology physicians to the Palouse region. Gritman Medical Center and Pullman Regional Hospital each owns a 45 percent share in Palouse Specialties, P.S. while Whitman Hospital and Medical Clinics owns the remaining 10 percent share. The hospitals are currently assisting Palouse Specialties P.S. in funding any financial shortfalls. Financial statements for Palouse Specialties, P.S., are available upon request.

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

11. Concentration of Risk:

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

The mix of receivables from patients was as follows:

| | 2023 | 2022 |
|--------------------------|--------------|-------------|
| Medicare | 41 % | 44 % |
| Medicaid | 14 | 15 |
| Other third-party payors | 36 | 31 |
| Patients | 9 | 10 |
| | 100 % | 100 % |

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

12. Subsequent Event:

The District received approval for a Federal Emergency Management Assistance grant in February 2024 of approximately \$915,000.

REQUIRED SUPPLEMENTARY INFORMATION

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Schedule of Changes in Net Pension Asset
Last 10 Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Change in total pension asset | | | | | | | | | |
| Total pension asset at beginning of year | \$ 582,575 | \$ 1,269,258 | \$ 969,821 | \$ 855,756 | \$ 325,236 | \$ 920,160 | \$ 483,177 | \$ 393,950 | \$ 867,536 |
| Interest | (151,404) | (175,021) | (200,983) | (198,855) | (201,214) | (192,719) | (204,288) | (209,579) | (217,259) |
| Effect of economic/demographic gains | (631,003) | (4,590) | 100,695 | 11,700 | 19,734 | (111,015) | 103,550 | - | - |
| Administrative expenses | (9,438) | (8,793) | (6,293) | (4,990) | (5,214) | (7,401) | (10,769) | (11,148) | (17,107) |
| Net investment income (loss) | 909,328 | (669,973) | 423,542 | 492,995 | 729,182 | (283,789) | 548,490 | 309,954 | (239,220) |
| Effect of changes in assumptions or inputs | 74,747 | 171,694 | (17,524) | (186,785) | (11,968) | - | - | - | - |
| Total pension asset at end of year | \$ 774,805 | \$ 582,575 | \$ 1,269,258 | \$ 969,821 | \$ 855,756 | \$ 325,236 | \$ 920,160 | \$ 483,177 | \$ 393,950 |
| Change in plan fiduciary net position | | | | | | | | | |
| Plan fiduciary net position at beginning of year | \$ 2,911,102 | \$ 4,534,988 | \$ 4,251,345 | \$ 4,062,083 | \$ 3,501,008 | \$ 3,975,050 | \$ 3,808,983 | \$ 3,722,973 | \$ 4,433,524 |
| Net investment income (loss) | 909,328 | (669,973) | 423,542 | 492,995 | 729,182 | (283,789) | 548,490 | 309,954 | (239,220) |
| Service benefits | (173,865) | (945,120) | (133,606) | (298,743) | (162,893) | (182,852) | (371,654) | (212,796) | (454,224) |
| Administrative expenses | (9,438) | (8,793) | (6,293) | (4,990) | (5,214) | (7,401) | (10,769) | (11,148) | (17,107) |
| Total plan fiduciary net position | \$ 3,637,127 | \$ 2,911,102 | \$ 4,534,988 | \$ 4,251,345 | \$ 4,062,083 | \$ 3,501,008 | \$ 3,975,050 | \$ 3,808,983 | \$ 3,722,973 |

| December 31, | District's Net Pension Asset | District's Covered-employee Payroll | Net Pension Asset as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|--------------|------------------------------------|---|--|---|
| 2014 | \$ 867,536 | \$ 5,500,000 | -15.77% | 124.32% |
| 2015 | 393,950 | 5,220,000 | -7.55% | 111.83% |
| 2016 | 483,177 | 5,400,000 | -8.95% | 114.53% |
| 2017 | 920,160 | 4,730,000 | -19.45% | 130.12% |
| 2018 | 325,236 | 4,171,000 | -7.80% | 110.24% |
| 2019 | 855,756 | 3,995,000 | -21.42% | 126.69% |
| 2020 | 969,821 | 3,448,996 | -28.12% | 129.55% |
| 2021 | 1,269,258 | 3,521,144 | -36.05% | 138.87% |
| 2022 | 582,575 | 3,458,162 | -16.85% | 125.02% |
| 2023 | 774,805 | 3,362,420 | -23.04% | 127.07% |

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

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Schedule of Employer Contributions
Last 10 Years

| December 31, | Actuarially Determined Contribution | Actual Contribution | Contribution (Deficiency) Excess | District's Covered- employee Payroll | Contributions as a Percentage of Covered- employee Payroll |
|---------------------|--|--------------------------------|---|---|---|
| 2014 | \$ - | \$ - | \$ - | 5,500,000 | 0.00% |
| 2015 | - | - | - | 5,220,000 | 0.00% |
| 2016 | - | - | - | 5,400,000 | 0.00% |
| 2017 | - | - | - | 4,730,000 | 0.00% |
| 2018 | - | - | - | 4,171,000 | 0.00% |
| 2019 | - | - | - | 3,995,000 | 0.00% |
| 2020 | - | - | - | 3,448,996 | 0.00% |
| 2021 | - | - | - | 3,521,144 | 0.00% |
| 2022 | - | - | - | 3,458,162 | 0.00% |
| 2023 | - | - | - | 3,362,420 | 0.00% |

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Schedule of Investment Returns
Last 10 Years*

| Year Ended December 31, | Rate of Return |
|------------------------------------|---------------------------|
| 2015 | -5.70% |
| 2016 | 8.58% |
| 2017 | 14.87% |
| 2018 | -7.33% |
| 2019 | 21.40% |
| 2020 | 12.64% |
| 2021 | 10.13% |
| 2022 | -15.95% |
| 2023 | 32.13% |

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

SINGLE AUDIT

AUDITORS' SECTION



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

Board of Commissioners
Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Colfax, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Whitman County Public Hospital District No. 3 doing business as Whitman Hospital and Medical Clinics (the District) and Whitman Community Hospital Foundation as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 7, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

D3A PLLC

Spokane Valley, Washington
June 7, 2024

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

Board of Commissioners
Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Colfax, Washington

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Whitman County Public Hospital District No. 3 doing business as Whitman Hospital and Medical Clinics (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the District's Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

D3A PLLC

Spokane Valley, Washington
June 7, 2024

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2023

Section I — Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------------------|--------------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Noncompliance material to financial statements noted?

| | |
|-----------------------|---------------------|
| <u> </u> yes | <u> X </u> no |
|-----------------------|---------------------|

Federal Awards:

Internal control over major federal programs:

- | | | |
|---|-----------------------|--------------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Type of auditors' report issued on compliance for major federal programs:

Unmodified

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

| | |
|-----------------------|---------------------|
| <u> </u> yes | <u> X </u> no |
|-----------------------|---------------------|

Identification of major federal program:

Federal Assistance Listing Number

Name of Federal Program or Cluster

93.498

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

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

Auditee qualified as low-risk auditee?

| | |
|-----------------------|---------------------|
| <u> </u> yes | <u> X </u> no |
|-----------------------|---------------------|

**Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2023**

Section II – Financial Statement Findings

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

Section III – Financial Award Findings and Questioned Costs

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

AUDITEE'S SECTION

Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

| | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Additional Award Identification | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Health and Human Services Direct Programs: | | | | |
| Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | | COVID-19 | \$ 1,144,219 |
| U.S. Department of Health and Human Services Pass-through Programs From: | | | | |
| <i>State of Washington Department of Health</i> Small Rural Hospital Improvement Grant Program | 93.301 | OHSP26275-0 | | 12,598 |
| Total U.S. Department of Health and Human Services | | | | 1,156,817 |
| Total expenditures of federal awards | | | | \$ 1,156,817 |

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

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Whitman County Public Hospital District No. 3 doing business as Whitman Hospital and Medical Clinics (the District) under programs of the federal government for the year ended December 31, 2023. Amounts reported on the Schedule for Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based on the June 30, 2023, Provider Relief Fund reports. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

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

**Whitman County Public Hospital District No. 3
doing business as Whitman Hospital and Medical Clinics
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023**

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