



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

December 26, 2024

Board of Commissioners  
United General District 304  
Sedro Woolley, 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 United General District 304 for the fiscal years ended December 31, 2023 and 2022. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or United General District 304's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304  
d/b/a UNITED GENERAL DISTRICT 304**

Financial Statements and Single Audit Reports

For the Years Ended December 31, 2023 and 2022

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## Independent Auditor's Report

### To the Board of Commissioners

Skagit County Public Hospital District No. 304 d/b/a United General District 304  
Sedro Woolley, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Skagit County Public Hospital District No. 304 d/b/a United General District 304 (the "District"), which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022, and the changes in financial position, and operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Management has omitted 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.

## **Emphasis of Matter - Adoption of New Accounting Standards**

As discussed in Note 1, during the year ended December 31, 2023, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 96, *Subscription-Based IT Arrangements*. The financial statements have been retroactively restated for these changes. Our opinion is not modified with respect to this matter.

## **Supplementary Information**

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark Nuber P.S.*

Certified Public Accountants  
April 24, 2024

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Statements of Net Position**  
**December 31, 2023 and 2022**

|   | <u>2023</u>                 | <u>2022</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Current Assets:</b>  |                             |                             |
| Cash and cash equivalents-  |                             |                             |
| Unrestricted  | \$ 16,483,227               | \$ 16,141,144               |
| Restricted  | 43,520                      | 41,534                      |
| Taxes receivable  | 26,748                      | 25,180                      |
| Accounts receivable   | 603,687                     | 597,046                     |
| Prepaid expenses  | 117,828                     | 122,290                     |
| <b>Total Current Assets</b>   | <b>17,275,010</b>           | <b>16,927,194</b>           |
| <b>Capital Assets:</b>  |                             |                             |
| Nondepreciable capital assets   | 2,118,779                   | 1,581,361                   |
| Depreciable capital assets - net  | 11,749,830                  | 13,128,190                  |
| <b>Total Capital Assets - Net</b>                                       | <b>13,868,609</b>           | <b>14,709,551</b>           |
| Other noncurrent asset-   |                             |                             |
| Lease receivable  | 1,806,630                   | 1,806,630                   |
| Accrued interest on lease receivable                                    | 39,770                      | 25,680                      |
| Equity interest in joint ventures                                       | 1,655,265                   | 1,922,740                   |
| <b>Total Assets</b>   | <b><u>\$ 34,645,284</u></b> | <b><u>\$ 35,391,795</u></b> |
| <b>Current Liabilities:</b>   |                             |                             |
| Warrants outstanding  | \$ 121,598                  | \$ 124,931                  |
| Accounts payable  | 299,779                     | 366,592                     |
| Accrued payroll and related liabilities                                 | 82,083                      | 69,690                      |
| Compensated absences  | 230,616                     | 195,342                     |
| Unearned revenue  | 917,275                     | 604,285                     |
| Subscription liabilities, current portion                               | 66,145                      | 64,837                      |
| <b>Total Current Liabilities</b>  | <b>1,717,496</b>            | <b>1,425,677</b>            |
| Subscription liabilities, net of current portion                        |                             | 66,145                      |
| Contingent liabilities and commitments - provision for malpractice cost | 50,000                      | 50,000                      |
| <b>Total Liabilities</b>  | <b><u>\$ 1,767,496</u></b>  | <b><u>\$ 1,541,822</u></b>  |
| <b>Deferred Inflows of Resources:</b>                                   |                             |                             |
| Deferred inflows of resources from leases                               | \$ 1,742,334                | \$ 1,763,778                |
| Deferred inflows of resources from public-private partnerships          | 8,725,499                   | 9,589,854                   |
| <b>Total Deferred Inflows of Resources</b>                              | <b><u>\$ 10,467,833</u></b> | <b><u>\$ 11,353,632</u></b> |
| <b>Net Position:</b>  |                             |                             |
| Net investment in capital assets  | \$ 13,868,609               | \$ 14,709,551               |
| Restricted  | 43,520                      | 41,534                      |
| Unrestricted  | 8,497,826                   | 7,745,256                   |
| <b>Total Net Position</b>   | <b><u>\$ 22,409,955</u></b> | <b><u>\$ 22,496,341</u></b> |

See accompanying notes.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

|                                     | <u>2023</u>                 | <u>2022</u>                 |
|-------------------------------------|-----------------------------|-----------------------------|
| <b>Operating Revenue:</b>           |                             |                             |
| Noncapital grants and contributions | \$ 2,735,738                | \$ 2,412,701                |
| Other                               | <u>200,602</u>              | <u>172,026</u>              |
| Total operating revenue             | 2,936,340                   | 2,584,727                   |
| <b>Operating Expenses:</b>          |                             |                             |
| Salaries and wages                  | 1,956,730                   | 1,701,260                   |
| Employee benefits                   | 558,964                     | 417,726                     |
| Professional fees                   | 53,316                      | 32,417                      |
| Supplies                            | 136,442                     | 173,223                     |
| Purchased services - utilities      | 37,432                      | 41,758                      |
| Purchased services - other          | 1,311,519                   | 1,244,022                   |
| Insurance                           | 82,944                      | 66,748                      |
| Rents and leases                    | 12,645                      | 5,833                       |
| Other                               | 302,708                     | 227,679                     |
| Depreciation and amortization       | <u>1,452,382</u>            | <u>1,384,414</u>            |
| Total operating expenses            | <u>5,905,082</u>            | <u>5,295,080</u>            |
| <b>Operating Loss</b>               | <b>(2,968,742)</b>          | <b>(2,710,353)</b>          |
| <b>Nonoperating Revenue:</b>        |                             |                             |
| Property taxes                      | 1,225,620                   | 1,197,270                   |
| Interest income                     | 583,905                     | 111,757                     |
| Gain on capital asset disposition   | 2,172                       | 427,268                     |
| Income from joint ventures          | 32,527                      | 207,354                     |
| Public-private partnerships income  | 864,354                     | 729,576                     |
| Rental income                       | <u>173,778</u>              | <u>160,040</u>              |
| Total nonoperating revenue, net     | <u>2,882,356</u>            | <u>2,833,265</u>            |
| <b>Change in Net Position</b>       | <b>(86,386)</b>             | <b>122,912</b>              |
| Net position, beginning of year     | <u>22,496,341</u>           | <u>22,373,429</u>           |
| <b>Net Position, End of Year</b>    | <b><u>\$ 22,409,955</u></b> | <b><u>\$ 22,496,341</u></b> |

See accompanying notes.



**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

|   | 2023                  | 2022                  |
|---|-----------------------|-----------------------|
| <b>Cash Flows From Operating Activities:</b>                                      |                       |                       |
| Cash received from noncapital grants and contributions                            | \$ 2,729,097          | \$ 2,311,719          |
| Cash received from other operating revenue  | 513,592               | 171,805               |
| Cash paid for salaries and benefits   | (2,468,027)           | (2,067,351)           |
| Cash paid for supplies, professional fees and other operating expenses            | (2,002,690)           | (1,615,412)           |
| <b>Total Cash Used in Operating Activities</b>                                    | <b>(1,228,028)</b>    | <b>(1,199,239)</b>    |
| <b>Cash Flows From Noncapital Financing Activities:</b>                           |                       |                       |
| Cash provided by tax revenue for operations                                       | 1,224,052             | 1,201,873             |
| <b>Total Cash Flows Provided by Noncapital Financing Activities</b>               | <b>1,224,052</b>      | <b>1,201,873</b>      |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                  |                       |                       |
| Proceeds from disposal of capital assets  |                       | 595,103               |
| Payments on subscription liabilities  | (64,837)              | (63,878)              |
| Purchase of capital assets  | (611,440)             | (246,517)             |
| <b>Total Cash (Used in) Provided by Capital and Related Financing Activities</b>  | <b>(676,277)</b>      | <b>284,708</b>        |
| <b>Cash Flows From Investing Activities:</b>                                      |                       |                       |
| Interest income   | 583,905               | 97,507                |
| Rental income   | 140,417               | 138,631               |
| Distributions from joint ventures   | 300,000               |                       |
| <b>Total Cash Provided by Investing Activities</b>                                | <b>1,024,322</b>      | <b>236,138</b>        |
| <b>Net Increase in Cash and Cash Equivalents</b>                                  | <b>344,069</b>        | <b>523,480</b>        |
| Cash and cash equivalents, beginning of year                                      | 16,182,678            | 15,659,198            |
| <b>Cash and Cash Equivalents, End of Year</b>                                     | <b>\$ 16,526,747</b>  | <b>\$ 16,182,678</b>  |
| <b>Reconciliation to Presentation of Cash on Statements of Net Position:</b>      |                       |                       |
| Unrestricted  | \$ 16,483,227         | \$ 16,131,020         |
| Restricted  | 43,520                | 51,658                |
| <b>Total Cash and Cash Equivalents</b>  | <b>\$ 16,526,747</b>  | <b>\$ 16,182,678</b>  |
| Reconciliation of operating loss to net cash used in operating activities-        |                       |                       |
| Operating loss  | \$ (2,968,742)        | \$ (2,710,353)        |
| Adjustments to reconcile operating loss to net cash used in operating activities- |                       |                       |
| Depreciation and amortization   | 1,452,382             | 1,384,414             |
| Changes in assets and liabilities:  |                       |                       |
| Accounts receivable   | (6,641)               | (100,982)             |
| Prepaid expenses  | 4,462                 | 9,298                 |
| Warrants outstanding  | (3,333)               | 7,671                 |
| Accounts payable  | (66,813)              | 159,299               |
| Accrued payroll and related liabilities   | 12,393                | 38,758                |
| Compensated absences  | 35,274                | 12,877                |
| Unearned revenue  | 312,990               | (221)                 |
| Total adjustments   | 1,740,714             | 1,511,114             |
| <b>Net Cash Used in Operating Activities</b>                                      | <b>\$ (1,228,028)</b> | <b>\$ (1,199,239)</b> |

See accompanying notes.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304  
d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements  
For the Years Ended December 31, 2023 and 2022**

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**Note 1 - Summary of Significant Accounting Policies**

**The Entity** - Skagit County Public Hospital District No. 304 d/b/a United General District 304 (the "District"), previously doing business as United General Hospital and United Medical Clinics, operates under the laws of the State of Washington for municipal corporations. The District is governed by an elected five-member Board of Commissioners.

United General District 304 is committed to improving the health and quality of life for the residents of the communities they serve. The District's work focuses on six areas of wellbeing: Active Living, Community and Professional Education, Engaged Youth and Communities, Healthy Eating, Thriving Children and Families, and Stewarding Assets and Opportunities. The District owns hospital and clinic facilities that serve the residents of Skagit and Whatcom Counties in the State of Washington.

United General Foundation (the "Foundation") is a legally separate 501(c)(3) tax-exempt nonprofit public benefit corporation. The Foundation acts primarily as an entity that allows the District to apply for grant funds that can only be awarded to a 501(c)(3) tax-exempt nonprofit public benefit corporation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the District by the Foundation's bylaws, and for this reason it is a blended component unit of the District.

**Affiliation With PeaceHealth** - On April 1, 2014, the District transferred operations of United General Hospital, a 25-bed critical access hospital, and certain operations of United Medical Clinics to PeaceHealth St. Joseph's Medical Center ("PeaceHealth"). Services provided by the operations of United General Hospital and United Medical Clinics included acute care, emergency, surgery, rehabilitation, medical and radiation cancer care, primary care, and related ancillary services. The District and PeaceHealth completed "due diligence" and negotiated terms captured in a Master Agreement dated January 24, 2013, (the "Master Agreement") that provided for PeaceHealth to assume operations of the District's health care facilities. An application for a Certificate of Need from the State of Washington's Department of Health was approved on May 6, 2013.

In 2014, the District and PeaceHealth entered into an operating agreement dated April 1, 2014 (the "Operating Agreement"). The Operating Agreement provided for PeaceHealth to assume operations of the District's health care facilities for a 30-year term, with automatic renewal for two additional 10-year terms upon completion of the initial term.

Upon closing of the Operating Agreement, PeaceHealth reimbursed the District for certain purchased assets and prepaid contracts. Under terms of the Master Agreement, any excluded assets and liabilities of the District remained with the District. In addition, the Operating Agreement requires the District pay a semiannual subsidy, to be funded from ad valorem tax on all taxable property of the District, to assist PeaceHealth in providing health care services to residents of the District. The amount of the subsidy can amount up to 90% of the taxes levied and is subject to adjustment based on net income produced by continuing health care operations.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 1 - Continued**

The Operating Agreement contains real estate and equipment lease addendums (the "Lease Addendums") that provide for PeaceHealth to lease the health care facilities and specific equipment of the District for a nominal annual fee under an initial five-year term, with options to extend the leases for five additional terms of five years each. The Lease Addendums require the District to provide up to \$125,000 annually for preventative maintenance allowance or operating needs. The Lease Addendums allowed for an original \$2,000,000 maintenance and facility fund. PeaceHealth was able to utilize up to 50% of the maintenance and facility fund to perform structural repairs, with the remainder of the fund to be used upon mutual agreement of PeaceHealth and the District. During the year ended December 31, 2021, the Operating Agreement was amended, and the remaining fund balance of \$751,174 was paid to PeaceHealth.

It is the intent of the District and PeaceHealth that the District remain financially viable in order to carry out other programs of the District; therefore, the Operating Agreement contains limited conditions upon which the District's funding of the subsidy, preventative maintenance allowance, and maintenance and facility fund can be reviewed after other mutually agreed-upon options have been pursued.

The Operating Agreement was determined to be a Public-Private Partnership (PPP) arrangement, subject to GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. See note 4 for assets under this PPP arrangement. Deferred inflows of resources related to the Agreement were \$8,725,499 and \$9,589,854 for the years ended December 31, 2023 and 2022, respectively. Deferred inflows are recognized as revenue over the useful life of the PPP related assets. During the year ended December 31, 2023 and 2022, \$864,354 and \$729,564 was recognized as revenue.

**Financial Statement Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board.

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 Revised Code of Washington (RCW) and the Department of Health in the Accounting and Reporting Manual for Hospitals. The District's statements are reported using the economic resources measurement focus and the full-accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The financial statements include the accounts of the component unit of the District. All District assets, liabilities, and financial transactions are included in these financial statements, and all material interdivision transactions have been eliminated.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and shares in the local government investment pool.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 1 - Continued**

**Investments** - Up to 2023, the Treasurer of Skagit County, Washington invested cash in interest-bearing investments at the direction of the District. Part of the investments were in the Washington State Local Government Investment Pool (WSLGIP), which is a short-term liquidity vehicle. Investments for the government are reported at fair value. The WSLGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same value as the fair value of the pool shares. The WSLGIP operates in a manner consistent with Section 2a-7 of the U.S. Securities and Exchange Commission's Investment Act of 1940 and is unrated. Investments with the WSLGIP were considered cash and cash equivalents.

Beginning in 2023, the Treasurer of Skagit County managed investments for the County Pool (SKIP) and the District is a participant of the Pool. SKIP values pool participants' shares on an amortized cost basis and targets to maintain the stable value of the pool per share at \$1.00. Specifically, the pool distributes income to participants monthly based on their relative participation during the month that is calculated based on, (1) interest income based on stated rates (both paid and accrued), (2) amortization of discounts and premiums on a straight-line basis, (3) realized investment gains and losses calculated on an amortized cost basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to the participants all unrealized gains and losses in the fair values of the pool's investments. The Net Asset Value (NAV) on December 31, 2023, was 1.003. The average maturity on SKIP was 1.121 years on December 31, 2023.

The remainder of the District's investments are invested in short-term liquidity vehicles, deposited with either Time Value Investments or Wells Fargo Securities. These investments are reported at fair value. Investments with these organizations are considered cash and cash equivalents.

**Restricted Cash and Cash Equivalents** - Restricted cash and cash equivalents include amounts restricted by donors.

**Capital Assets** - The District's assets are stated at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Betterments and major renewals over \$5,000 are capitalized. Right-to-use assets are capitalized when the cash flow over the life of the agreement is greater than \$50,000. When such assets are disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is classified in nonoperating revenues and expenses. Donated items are recorded at fair value at the date of contribution. Right-to-use assets are capitalized at the present value of future payments. All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

|                                    |              |
|------------------------------------|--------------|
| Land improvements                  | 5 - 25 years |
| Buildings and fixed equipment      | 5 - 40 years |
| Major moveable and minor equipment | 3 - 20 years |
| Software                           | 3 - 5 years  |

**Asset Impairment** - Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital assets might have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 1 - Continued**

Such events or changes in circumstance that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

The determination of the impairment loss is independent of the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position. No impairment losses were recorded in 2023 and 2022.

**Leases Receivable** - The District recognizes leases receivable and related deferred inflows of resources for lease contracts in which the District is the lessor and conveys the right to control their nonfinancial asset to a third party for a term exceeding one year and total cash flows over the life of the lease in excess of \$50,000. At contract inception, the lease receivable and deferred inflow of resources are measured at the present value of fixed in substance payments expected during the contract term. The District uses a discount rate based on their marginal debt rate at the time of lease inception, when a readily determinable discount rate is not available. Revenue is recognized over the term of the contract.

**Compensated Absences** - The paid time-off (PTO) program at the District provides eligible employees with appropriate compensation during holidays, vacation time, certain periods of treatment of illness for the employee or dependents, and personal leave. The District accrues leave for compensated absences as an expense and a liability when earned, based on the employee's status. The maximum allowable balance of PTO time for each employee is twice his or her annual accrual. All employees who terminate their employment, with proper notice, will be paid unused PTO hours at their regular rate of pay up to 100% of their balance.

**Subscription-Based IT Arrangements (SBITA) Liabilities** - The District recognizes liabilities for SBITAs with an initial noncancelable term of 12 months or longer and cash flows greater than \$50,000. SBITA liabilities are measured at the present value of future fixed payments. The discount rate for SBITAs is the stated rate in the agreement. If there is no statement rate, this liability is discounted at the District's estimated incremental borrowing rate.

**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 reduced by the current balances of any outstanding borrowing 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 in contracts with third parties or by creditors, grantors, or contributors external to the District. Unrestricted net position is remaining net position that does not meet the other definitions above. When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

**Operating Revenue and Expenses** - The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue result from exchange transactions associated with providing health care services. Nonexchange revenue, including grants and contributions, received for purposes other than capital assets acquisition, are reported as operating revenues. Property taxes revenue, interest income, gain and loss on capital asset disposition, income from joint ventures, and rental income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide District services.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
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**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 1 - Continued**

The District receives grants from various federal granting agencies, Skagit County, and the State of Washington, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes.

**Property Taxes** - The District has the authority to impose taxes on property within the boundaries of the District. Taxes are received from Skagit County (the "County"). Ad valorem taxes and per-parcel assessments are levied by the County on the District's behalf on January 1 and are intended to finance the District's activities of the same year. Taxes are payable in two equal installments on April 30 and October 31.

**Tax Status** - The District operates under the laws of the State of Washington for Washington municipal corporations. As organized, the District is exempt from payment of federal income tax on operations or activities under Section 115 of the Internal Revenue Code. All District assets, liabilities, and financial transactions are included in these financial statements.

**Reclassification** - Certain reclassifications were made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net positions, and change in net position.

**Adoption of New Accounting Standards** - In March 2020, The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

In May 2020 the GASB issued Statement No. 96, *Subscription-Based IT Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (government). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
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**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Note 1 - Continued**

The District restated the December 31, 2022, financial statements for the adoption of this standard; the restatement consistent of the following:

|   | December 31,<br>2022<br>As Previously<br>Reported | Changes in<br>Accounting<br>Principle<br>(GASB 94) | Changes in<br>Accounting<br>Principle<br>(GASB 96) | December 31,<br>2022<br>As Restated |
|---|---|--|--|-------------------------------------|
| <b>Statement of Net Position:</b>                                       |   |  |  |                                     |
| Depreciable capital assets - net  | \$ 3,408,432                                      | \$ 9,589,854                                       | \$ 129,904   | \$ 13,128,190                       |
| Subscription liabilities, current portion                               |   |  | (64,837)   | (64,837)                            |
| Subscription liabilities, net of current portion                        |   |  | (66,145)   | (66,145)                            |
| Deferred inflows of resources   | (1,763,778)                                       | (9,589,854)  |  | (11,353,632)                        |
| Total net position  | 22,497,419  |  | (1,078)  | 22,496,341                          |
| <b>Statement of Revenues, Expenses<br/>and Changes in Net Position:</b> |   |  |  |                                     |
| Purchased services - other  | 1,310,886   |  | (66,864)   | 1,244,022                           |
| Depreciation and amortization expense                                   | 589,882   | 729,576  | 64,956   | 1,384,414                           |
| Public-private partnerships income                                      |   | (729,576)  |  | (729,576)                           |
| Other expense   | 224,693   |  | 830  | 225,523                             |
| <b>Total Net Position, End of Year</b>                                  | <b>\$ 22,497,419</b>                              | <b>\$ -</b>  | <b>\$ (1,078)</b>                                  | <b>\$ 22,496,341</b>                |

**Subsequent Events** - Subsequent events have been evaluated through April 24, 2024, the date the financial statements were available for issuance.

**Note 2 - Cash and Cash Equivalents**

**Deposits and Investments** - The District has funds on deposit with the Treasurer of Skagit County, Washington. The RCW, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the WSLGIP; savings accounts in qualified public depositories; and certain other investments.

The District maintains an investment policy designed to maximize return and limit the following types of risks:

**Custodial Credit Risk** - 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 covered entirely by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission, and all investments are insured, registered, or held by the District's agent in the District's name. The District's investment policy does not contain policy requirements that would limit the exposure to custodial risk for investments.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 2 - Continued**

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

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

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

Cash and cash equivalents consisted of the following at December 31:

|  | <u>2023</u>                        | <u>2022</u>                        |
|--|------------------------------------|------------------------------------|
| Cash on deposit                        | \$ 5,510                           | \$ 41,252                          |
| Cash (WSLGIP)                          | 471,918                            | 351,400                            |
| Investment (WSLGIP)                    | 16,048,719                         | 15,789,426                         |
| Cash on hand                           | <u>600</u>                         | <u>600</u>                         |
| <b>Total Cash and Cash Equivalents</b> | <b><u><u>\$ 16,526,747</u></u></b> | <b><u><u>\$ 16,182,678</u></u></b> |

**Note 3 - Restricted Assets**

Cash and cash equivalents were restricted to the following purposes at December 31:

|                                 | <u>2023</u> | <u>2022</u> |
|---------------------------------|-------------|-------------|
| Oncology and other expenditures | \$ 43,520   | \$ 41,534   |



**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Note 4 - Capital Assets**

Capital assets activity consisted of the following:

|  | January 1,<br>2023   | Additions           | Retirements  | Transfers   | December 31,<br>2023 |
|--|----------------------|---------------------|--------------|-------------|----------------------|
| Land   | \$ 1,535,302         | \$ -                | \$ -         | \$ -        | \$ 1,535,302         |
| Construction in progress                                   | 46,059               | 537,418             |              |             | 583,477              |
| <b>Total Nondepreciable Assets</b>                         | <b>1,581,361</b>     | <b>537,418</b>      |              |             | <b>2,118,779</b>     |
| Land improvements  | 1,902,495            | 43,998              | (5,934)      |             | 1,940,559            |
| Buildings and improvements                                 | 21,507,733           |                     | (53,007)     |             | 21,454,726           |
| Equipment  | 11,883,781           | 29,995              | (120,810)    |             | 11,792,966           |
| Software   | 2,518,250            |                     |              |             | 2,518,250            |
| Subscription right-of-use assets                           | 194,860              |                     |              |             | 194,860              |
| Public-private partnerships (PPP)<br>property improvements | 11,807,173           |                     |              |             | 11,807,173           |
| Total depreciable assets                                   | 49,814,292           | 73,993              | (179,751)    |             | 49,708,534           |
| Less accumulated amortization<br>on subscription assets    | 64,956               | 64,956              |              |             | 129,912              |
| Less accumulated depreciation<br>on PPP assets             | 2,217,322            | 864,354             |              |             | 3,081,676            |
| Less accumulated depreciation                              | 34,403,824           | 523,072             | (179,780)    |             | 34,747,116           |
| <b>Total Depreciable Capital Assets - Net</b>              | <b>13,128,190</b>    | <b>(1,378,389)</b>  | <b>29</b>    |             | <b>11,749,830</b>    |
| <b>Total Capital Assets - Net</b>                          | <b>\$ 14,709,551</b> | <b>\$ (840,971)</b> | <b>\$ 29</b> | <b>\$ -</b> | <b>\$ 13,868,609</b> |

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Note 4 - Continued**

|   | January 1,<br>2022  | Additions           | Retirements         | Transfers        | December 31,<br>2022 |
|---|---------------------|---------------------|---------------------|------------------|----------------------|
| Land  | \$ 1,696,702        | \$ -                | \$ (161,400)        | \$ -             | \$ 1,535,302         |
| Construction in progress                                | 39,967              | 227,109             | (1,815)             | (219,202)        | 46,059               |
| <b>Total Nondepreciable Assets</b>                      | <b>1,736,669</b>    | <b>227,109</b>      | <b>(163,215)</b>    | <b>(219,202)</b> | <b>1,581,361</b>     |
| Land improvements                                       | 1,902,495           |                     |                     |                  | 1,902,495            |
| Buildings and improvements                              | 21,587,724          |                     | (242,936)           | 162,945          | 21,507,733           |
| Equipment   | 11,850,131          | 19,408              | (42,015)            | 56,257           | 11,883,781           |
| Software  | 2,518,250           |                     |                     |                  | 2,518,250            |
| Subscription right-of-use assets                        |                     | 194,860             |                     |                  | 194,860              |
| Public-private partnerships<br>property improvements    |                     | 11,807,173          |                     |                  | 11,807,173           |
| Total depreciable assets                                | 37,858,600          | 12,021,441          | (284,951)           | 219,202          | 49,814,292           |
| Less accumulated amortization<br>on subscription assets |                     | 64,956              |                     |                  | 64,956               |
| Less accumulated depreciation<br>on PPP assets          |                     | 2,217,322           |                     |                  | 2,217,322            |
| Less accumulated depreciation                           | 34,094,275          | 589,882             | (280,333)           |                  | 34,403,824           |
| <b>Total Depreciable Capital Assets - Net</b>           | <b>3,764,325</b>    | <b>9,149,281</b>    | <b>(4,618)</b>      | <b>219,202</b>   | <b>13,128,190</b>    |
| <b>Capital Assets - Net</b>                             | <b>\$ 5,500,994</b> | <b>\$ 9,376,390</b> | <b>\$ (167,833)</b> | <b>\$ -</b>      | <b>\$ 14,709,551</b> |

Public-private partnerships (PPP) property improvements consist of the following at December 31:

|                        | 2023                 | 2022                 |
|------------------------|----------------------|----------------------|
| Building improvements  | \$ 900,273           | \$ 900,273           |
| Equipment and fixtures | 2,574,702            | 2,574,702            |
| Land improvements      | 123,783              | 123,783              |
| Leasehold improvements | 8,208,415            | 8,208,415            |
|                        | <b>\$ 11,807,173</b> | <b>\$ 11,807,173</b> |

**Note 5 - Joint Ventures**

**Skagit Hospice Services, LLC** - As of December 31, 2023 and 2022, the District had a 50% interest in Skagit Hospice Services, LLC ("Hospice"), along with Skagit Regional Health (SRH), formally Skagit Valley Hospital (SVH). The District accounts for its interest in the joint venture on the equity method.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 5 - Continued**

Summarized financial information from Hospice's internal financial statements at December 31 is as follows:

|  | 2023                        | 2022                        |
|--|-----------------------------|-----------------------------|
| <b>Total Assets</b>                    | <b><u>\$ 5,144,892</u></b>  | <b><u>\$ 5,559,204</u></b>  |
| Accounts payable and other liabilities | \$ 1,921,500                | \$ 1,776,254                |
| Partner's capital                      | <u>3,223,392</u>            | <u>3,782,950</u>            |
| <b>Total Liabilities and Capital</b>   | <b><u>\$ 5,144,892</u></b>  | <b><u>\$ 5,559,204</u></b>  |
| <b>Revenue</b>                         | <b><u>\$ 15,362,451</u></b> | <b><u>\$ 13,911,778</u></b> |
| <b>Changes in Net Position</b>         | <b><u>\$ (556,446)</u></b>  | <b><u>\$ 468,590</u></b>    |

**Affiliated Health Services (AHS)** - As of December 31, 2023 and 2022, the District had a 50% interest in AHS, along with SRH. The District accounts for its interest in the joint venture on the equity method.

Summarized financial information from AHS's internal financial statements at December 31 is as follows:

|  | 2023                    | 2022                      |
|--|-------------------------|---------------------------|
| <b>Total Assets</b>                    | <b><u>\$ 91,426</u></b> | <b><u>\$ 82,002</u></b>   |
| Accounts payable and other liabilities | \$ 4,438                | \$ 21,786                 |
| Partner's capital                      | <u>86,988</u>           | <u>60,216</u>             |
| <b>Total Liabilities and Capital</b>   | <b><u>\$ 91,426</u></b> | <b><u>\$ 82,002</u></b>   |
| <b>Revenue</b>                         | <b><u>\$ -</u></b>      | <b><u>\$ 667</u></b>      |
| <b>Net Income (Loss)</b>               | <b><u>\$ 21,500</u></b> | <b><u>\$ (53,882)</u></b> |

The District and Public Hospital District No. 1 doing business as SRH are partners in AHS, a Washington general partnership. The AHS partnership ended operations effective January 1, 2004 (the disaffiliation date), and certain assets, liabilities, and net position of the partnership were distributed as provided by the disaffiliation agreement. Other assets and liabilities remain in the AHS partnership. As part of the winding up of the affairs of the partnership, the Districts have agreed to utilize the assets remaining in the partnership to pay estimated liabilities.

The remaining reserves and liabilities consist of workers' compensation claims related to employees of AHS through December 31, 2003. The partners have agreed to continue the partnership until substantially all remaining liabilities have been paid and to equally share any excess liabilities or assets.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 6 - Property Taxes**

The District received approximately 21.06% and 25.54% percent of its financial support from property taxes for the years ended December 31, 2023 and 2022. These funds were used as follows:

|                            | <u>2023</u>  | <u>2022</u>  |
|----------------------------|--------------|--------------|
| Used to support operations | \$ 1,225,620 | \$ 1,197,270 |

The District is permitted to levy a maintenance and operations tax on the taxable property within the District without a vote of the taxpayers. As a junior taxing district, the District's regular property tax levy may be reduced under certain circumstances if the aggregate tax levy of all senior and junior taxing districts covering the same geographical areas as the District exceeds \$0.50 per \$1,000 of value. Maintenance and operations tax revenue are included in nonoperating revenue in the accompanying statements of revenue, expenses, and changes in net position. Property taxes are recorded as receivables when levied. Since state law allows for the sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**Note 7 - Lease Commitments**

The District additionally leases ground leases to various commercial tenants through the year ending 2105. During the years ended December 31, 2023 and 2022, the District recognized rental income of \$173,778 and \$160,040, respectively, from these commercial arrangements. The carrying value of the nondepreciable land for the ground leases was approximately \$1,035,000 for the years ended December 31, 2023 and 2022.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 7 - Continued**

Future minimum lease payments to be received under the operating leases are as follows:

| For the Year Ending December 31, | Principal           | Interest            | Total               |
|----------------------------------|---------------------|---------------------|---------------------|
| 2024                             | \$ -                | \$ 23,140           | \$ 23,140           |
| 2025                             |                     | 23,603              | 23,603              |
| 2026                             |                     | 24,075              | 24,075              |
| 2027                             |                     | 24,557              | 24,557              |
| 2028                             |                     | 25,048              | 25,048              |
| 2029 - 2033                      |                     | 132,956             | 132,956             |
| 2034 - 2038                      |                     | 146,795             | 146,795             |
| 2039 - 2043                      |                     | 162,073             | 162,073             |
| 2044 - 2048                      |                     | 178,942             | 178,942             |
| 2049 - 2053                      |                     | 197,566             | 197,566             |
| 2054 - 2058                      |                     | 218,129             | 218,129             |
| 2059 - 2063                      |                     | 240,832             | 240,832             |
| 2064 - 2068                      |                     | 265,898             | 265,898             |
| 2069 - 2073                      |                     | 293,573             | 293,573             |
| 2074 - 2078                      |                     | 324,128             | 324,128             |
| 2079 - 2083                      | 226,799             | 131,065             | 357,864             |
| 2084 - 2088                      | 247,451             | 147,659             | 395,110             |
| 2089 - 2093                      | 316,630             | 119,604             | 436,234             |
| 2094 - 2098                      | 397,571             | 84,067              | 481,638             |
| 2099 - 2103                      | 491,979             | 39,788              | 531,767             |
| 2104 - 2105                      | 126,200             | 14,959              | 141,159             |
|                                  | <u>\$ 1,806,630</u> | <u>\$ 2,818,457</u> | <u>\$ 4,625,087</u> |

**Note 8 - Retirement Plans**

The District maintains a defined contribution retirement plan covering substantially all of the employees meeting certain eligibility requirements. The District's contribution is based on the salaries of active participants in accordance with formulas specified in the plan. The plan's third-party trustees select the fund manager (Voya Financial) to invest the assets of the plan. Total expense incurred for this plan for the years ended December 31, 2023 and 2022, was \$95,596 and \$62,879, respectively.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Compensation deferred under the deferred compensation plan and all income attributable to the plan have been placed in trust (or custodial account or annuity contract) for the exclusive benefit of plan participants and their beneficiaries.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
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**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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**Note 9 - Self-Insured Plans**

The District has a self-insured unemployment plan. The District has joined the Public Hospital District Unemployment Compensation Fund that is administered by the Washington State Hospital Association. The District pays its share of actual unemployment claims, maintenance of reserves, and administrative expenses. Total unemployment expense for the years ended December 31, 2023 and 2022, was \$3,357 and \$1,136, respectively.

**Note 10 - Risk Management**

The District is also exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims have not exceeded commercial coverage in any of the three preceding years.

## **SUPPLEMENTARY INFORMATION**

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Statement of Net Position - by Operating Division**  
**December 31, 2023**

|  | United General<br>District 304 | United General<br>Foundation | Eliminations       | Total                |
|--|--------------------------------|------------------------------|--------------------|----------------------|
| <b>Current Assets:</b>   |                                |                              |                    |                      |
| Cash and cash equivalents-                                     |                                |                              |                    |                      |
| Unrestricted   | \$ 16,477,717                  | \$ 5,510                     | \$ -               | \$ 16,483,227        |
| Restricted   | 43,520                         |                              |                    | 43,520               |
| Taxes receivable   | 26,748                         |                              |                    | 26,748               |
| Accounts receivable  | 624,185                        |                              | (20,500)           | 603,685              |
| Prepaid expenses   | 117,828                        |                              |                    | 117,828              |
| <b>Total Current Assets</b>                                    | <b>17,289,998</b>              | <b>5,510</b>                 | <b>(20,500)</b>    | <b>17,275,008</b>    |
| <b>Capital Assets:</b>   |                                |                              |                    |                      |
| Nondepreciable capital assets                                  | 2,118,779                      |                              |                    | 2,118,779            |
| Depreciable capital assets - net                               | 11,749,830                     |                              |                    | 11,749,830           |
| <b>Total Capital Assets, Net</b>                               | <b>13,868,609</b>              |                              |                    | <b>13,868,609</b>    |
| Other noncurrent asset-  |                                |                              |                    |                      |
| Lease receivable   | 1,806,630                      |                              |                    | 1,806,630            |
| Accrued interest on lease receivable                           | 39,770                         |                              |                    | 39,770               |
| Equity interest in joint ventures                              | 1,655,265                      |                              |                    | 1,655,265            |
| <b>Total Assets</b>  | <b>\$ 34,660,272</b>           | <b>\$ 5,510</b>              | <b>\$ (20,500)</b> | <b>\$ 34,645,282</b> |
| <b>Current Liabilities:</b>                                    |                                |                              |                    |                      |
| Warrants outstanding   | \$ 121,598                     | \$ -                         | \$ -               | \$ 121,598           |
| Accounts payable   | 299,464                        | 20,813                       | (20,500)           | 299,777              |
| Accrued payroll and related liabilities                        | 82,083                         |                              |                    | 82,083               |
| Compensated absences   | 230,616                        |                              |                    | 230,616              |
| Unearned revenue   | 917,275                        |                              |                    | 917,275              |
| Subscription liabilities, current portion                      | 66,145                         |                              |                    | 66,145               |
| <b>Total Current Liabilities</b>                               | <b>1,717,181</b>               | <b>20,813</b>                | <b>(20,500)</b>    | <b>1,717,494</b>     |
| Contingent liabilities and commitments-                        |                                |                              |                    |                      |
| Provision for malpractice cost                                 | 50,000                         |                              |                    | 50,000               |
| <b>Total Liabilities</b>                                       | <b>\$ 1,767,181</b>            | <b>\$ 20,813</b>             | <b>\$ (20,500)</b> | <b>\$ 1,767,494</b>  |
| <b>Deferred Inflows of Resources:</b>                          |                                |                              |                    |                      |
| Deferred inflows of resources from leases                      | \$ 1,742,334                   | \$ -                         | \$ -               | \$ 1,742,334         |
| Deferred inflows of resources from public-private partnerships | 8,725,499                      |                              |                    | 8,725,499            |
| <b>Total Deferred Inflows of Resources</b>                     | <b>\$ 10,467,833</b>           | <b>\$ -</b>                  | <b>\$ -</b>        | <b>\$ 10,467,833</b> |
| <b>Net Position:</b>   |                                |                              |                    |                      |
| Net investment in capital assets                               | \$ 13,868,609                  | \$ -                         | \$ -               | \$ 13,868,609        |
| Restricted   | 43,520                         |                              |                    | 43,520               |
| Unrestricted   | 8,513,129                      | (15,303)                     |                    | 8,497,826            |
| <b>Total Net Position</b>                                      | <b>\$ 22,425,258</b>           | <b>\$ (15,303)</b>           | <b>\$ -</b>        | <b>\$ 22,409,955</b> |

See independent auditor's report.



**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Statement of Revenues, Expenses and Changes in Net Position - by Operating Division**  
**For the Year Ended December 31, 2023**

|                                     | United General<br>District 304 | United General<br>Foundation | Eliminations | Total                |
|-------------------------------------|--------------------------------|------------------------------|--------------|----------------------|
| <b>Operating Revenue:</b>           |                                |                              |              |                      |
| Noncapital grants and contributions | \$ 2,737,633                   | \$ 702,909                   | \$ (704,804) | \$ 2,735,738         |
| Other                               | 200,602                        |                              |              | 200,602              |
| Total operating revenue             | 2,938,235                      | 702,909                      | (704,804)    | 2,936,340            |
| <b>Operating Expenses:</b>          |                                |                              |              |                      |
| Salaries and wages                  | 1,956,730                      |                              |              | 1,956,730            |
| Employee benefits                   | 558,964                        |                              |              | 558,964              |
| Professional fees                   | 53,316                         |                              |              | 53,316               |
| Supplies                            | 136,269                        | 173                          |              | 136,442              |
| Purchased services - utilities      | 37,432                         |                              |              | 37,432               |
| Purchased services - other          | 1,311,519                      |                              |              | 1,311,519            |
| Insurance                           | 82,944                         |                              |              | 82,944               |
| Rents and leases                    | 12,645                         |                              |              | 12,645               |
| Other                               | 301,187                        | 706,325                      | (704,804)    | 302,708              |
| Depreciation                        | 1,452,382                      |                              |              | 1,452,382            |
| Total operating expenses            | 5,903,388                      | 706,498                      | (704,804)    | 5,905,082            |
| <b>Operating Loss</b>               | <b>(2,965,153)</b>             | <b>(3,589)</b>               |              | <b>(2,968,742)</b>   |
| <b>Nonoperating Revenue:</b>        |                                |                              |              |                      |
| Property taxes                      | 1,225,620                      |                              |              | 1,225,620            |
| Interest income                     | 583,905                        |                              |              | 583,905              |
| Gain on capital asset disposition   | 2,172                          |                              |              | 2,172                |
| Income from joint ventures          | 32,527                         |                              |              | 32,527               |
| Public-private partnerships income  | 864,354                        |                              |              | 864,354              |
| Rental income                       | 173,778                        |                              |              | 173,778              |
| Total nonoperating revenue, net     | 2,882,356                      |                              |              | 2,882,356            |
| <b>Change in Net Position</b>       | <b>(82,797)</b>                | <b>(3,589)</b>               |              | <b>(86,386)</b>      |
| Net position, beginning of year     | 22,508,055                     | (11,714)                     |              | 22,496,341           |
| <b>Net Position, End of Year</b>    | <b>\$ 22,425,258</b>           | <b>\$ (15,303)</b>           | <b>\$ -</b>  | <b>\$ 22,409,955</b> |

See independent auditor's report.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

| <u>Federal Grantor/Program Title/Pass-Through Grantor</u>                                 | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Passed Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|---|--|---|--|-----------------------------------|
| <b>U.S. Department of Agriculture:</b>  |  |   |  |                                   |
| Community Food Projects   | 10.225                                   |   | \$ -                                   | \$ 33,683                         |
| Gus Schumacher Nutrition Incentive Grant Program  | 10.331                                   |   |  | 111,101                           |
| Gus Schumacher Nutrition Incentive Grant Program  | 10.331                                   |   |  | 182,585                           |
| Total Assistance Listing Number 10.331  |  |   |  | 293,686                           |
| WIC Special Supplemental Nutrition Program for Women, Infants and Children-               |  |   |  |                                   |
| Passed through Washington State Department of Health                                      | 10.557                                   | HSP27717                                      |  | 234,209                           |
| SNAP Cluster-   |  |   |  |                                   |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program:   |  |   |  |                                   |
| Passed through Washington State University  | 10.561                                   | 139289_SPC002065                              |  | 47,488                            |
| Passed through Within Reach   | 10.561                                   | 2212-44425-19                                 |  | 31,983                            |
| Passed through Washington State Department of Health                                      | 10.561                                   | HSP28697                                      |  | 8,900                             |
| Total SNAP Cluster and Assistance Listing Number 10.561                                   |  |   |  | 88,371                            |
| Farm to School Grant Program F2S-SW   | 10.575                                   |   |  | 34,995                            |
| <b>Total U.S. Department of Agriculture</b>   |  |   |  | <b>684,944</b>                    |
| <b>U.S. Department of Education:</b>  |  |   |  |                                   |
| Education Stabilization Fund  |  |   |  |                                   |
| Passed through Washington Office of Public Instruction                                    | 84.425                                   | 131254  |  | 60,064                            |
| <b>Total U.S. Department of Education</b>   |  |   |  | <b>60,064</b>                     |
| <b>U.S. Department of Health and Human Services:</b>                                      |  |   |  |                                   |
| Maternal and Child Health Federal Consolidated Programs                                   | 93.110                                   |   |  | 58,701                            |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243                                   |   |  | 101,047                           |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243                                   |   |  | 40,609                            |
| Total Assistance Listing Number 93.243  |  |   |  | 141,656                           |
| Drug-Free Communities Support Program Grants  | 93.276                                   |   |  | 112,723                           |
| Drug-Free Communities Support Program Grants  | 93.276                                   |   |  | 179,884                           |
| Total Assistance Listing Number 93.276  |  |   |  | 292,607                           |
| National and State Tobacco Control Program  |  |   |  |                                   |
| Passed through Washington State Department of Health                                      | 93.387                                   | 202301023                                     |  | 66,547                            |

See independent auditor's report and notes to schedule of expenditures of federal awards.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended December 31, 2023**

| <u>Federal Grantor/Program Title/Pass-Through Grantor</u>  | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Passed Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|--|--|---|--|-----------------------------------|
| <b>U.S. Department of Health and Human Services, cont.</b>   |  |   |  |                                   |
| Every Student Succeeds Act/Preschool Development Grants-<br>Passed through Within Reach                                | 93.434                                   | 1329B620-E302-<br>4F34-97D5-<br>E055DFA4F34B  |  | 30,000                            |
| State Physical Activity and Nutrition (SPAN)-<br>Passed through Washington State Department of Health                  | 93.439                                   | HSP24191                                      |  | 76,003                            |
| Child Support Services Research-<br>Passed through Washington State<br>Department of Social and Health Services        | 93.564                                   | 2312-46671                                    |  | 5,686                             |
| Opioid STR-<br>Passed through Washington State Health Care Authority   | 93.788                                   | K6434   |  | 51,276                            |
| Block Grants for Prevention and Treatment of Substance Abuse-<br>Passed through Washington State Health Care Authority | 93.959                                   | K5214   |  | 92,901                            |
| Passed through Washington State Health Care Authority  | 93.959                                   | K6972   |  | 30,758                            |
| Total Assistance Listing Number 93.959   |  |   |  | 123,659                           |
| <b>Total U.S. Department of Health and Human Services</b>  |  |   |  | <b>846,135</b>                    |
| <b>Executive Office of the President:</b>  |  |   |  |                                   |
| High Intensity Drug Trafficking Areas Program  | 95.001                                   |   | 101,468                                | 111,612                           |
| High Intensity Drug Trafficking Areas Program  | 95.001                                   |   | 383,797                                | 476,306                           |
| High Intensity Drug Trafficking Areas Program  | 95.001                                   |   | 168,079                                | 195,070                           |
| <b>Total Executive Office of the President and<br/>Assistance Listing Number 95.001</b>                                |  |   | <b>653,344</b>                         | <b>782,988</b>                    |
| <b>Total Expenditures of Federal Awards</b>  |  |   | <b>\$ 653,344</b>                      | <b>\$ 2,374,131</b>               |

See independent auditor's report and notes to schedule of expenditures of federal awards.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304  
d/b/a UNITED GENERAL DISTRICT 304**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

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**Note 1 - Method of Accounting**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Skagit County Public Hospital District No. 304 d/b/a United General District 304 (the District) under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with requirements of the 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.

**Note 2 - Significant Accounting Policies**

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

## **SINGLE AUDIT REPORTS**

**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**

**Independent Auditor's Report**

**To the Board of Commissioners  
Skagit County Public Hospital District No. 304 d/b/a United General District 304  
Sedro Woolley, 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 (*Government Auditing Standards*), the financial statements of Skagit County Public Hospital District No 304 d/b/a United General District 304 (the District), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 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 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 those 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 were not identified.



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## Report on Compliance and Other Matters

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

## Purpose of This Report

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

*Clark Nuber P.S.*

Certified Public Accountants  
April 24, 2024

**Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Independent Auditor's Report**

**To the Board of Commissioners  
Skagit County Public Hospital District No. 304 d/b/a United General District 304  
Sedro Woolley, Washington**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

**Opinion on Each Major Federal Program**

We have audited Skagit County Public Hospital District No. 304 d/b/a United General District No. 304 (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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



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## **Auditor's 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 each major federal program as a whole.

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

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

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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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.

*Clark Nuber P.S.*

Certified Public Accountants  
April 24, 2024

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304**  
**d/b/a UNITED GENERAL DISTRICT 304**

**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2023**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether  
the financial statements were prepared in  
accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None reported.

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None reported.

Type of auditor's report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with 2 CFR 200 516(a)?

☐ Yes ☒ None reported.

**Identification of Major Programs**

Assistance Listing Numbers

Name of Federal Program or Cluster

95.001

High Intensity Drug Trafficking Areas Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 304  
d/b/a UNITED GENERAL DISTRICT 304**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2023**

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**Section II - Financial Statement Findings**

No matters were reported.

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

No matters were reported.