Office of the Washington State Auditor
Pat McCarthy

December 26, 2024

Board of Commissioners
Grays Harbor Community Hospital
Aberdeen, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Grays Harbor Community Hospital for the fiscal years ended December 31, 2023 and 2022. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Reports of Independent Auditors
and Financial Statements
with Supplementary Information

Grays Harbor Public Hospital District No. 2

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Commissioners
Grays Harbor Public Hospital District No. 2

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grays Harbor Public Hospital District No. 2, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Grays Harbor Public Hospital District No. 2's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Grays Harbor Public Hospital District No. 2 as of December 31, 2023 and 2022, and the changes in financial position and 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grays Harbor Public Hospital District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Grays Harbor Public Hospital District No. 2's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grays Harbor Public Hospital District No. 2'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 Grays Harbor Public Hospital District No. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of proportionate share of net pension asset as of December 31, employer contributions as of December 31, and investment returns, on pages 5–11, and 37–40, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Grays Harbor Public Hospital District No. 2's financial statements. The summary statement of net position and summary statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the financial statements. The summary statement of net position and summary statement of revenues, expenses, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 summary statement of net position and summary statement of revenues, expenses, and changes in net position are 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 May 17, 2024, on our consideration of Grays Harbor Public Hospital District No. 2'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 Grays Harbor Public Hospital District No. 2'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 Grays Harbor Public Hospital District No. 2's internal control over financial reporting and compliance.

Moss Adams LLP

Everett, Washington
May 17, 2024

Management's Discussion and Analysis

This discussion and analysis provides an overview of the financial position and activities of Harbor Regional Health (the Hospital) and Subsidiaries for the years ended December 31, 2023, 2022, and 2021. The following narrative utilizes approximate amounts unless otherwise specified. It should be read in conjunction with the financial statements and accompanying notes that follow. The Hospital's financial statements consist of three statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

Effective January 1, 2015, Grays Harbor Public Hospital District No. 2 (the District) became the controlling entity of Grays Harbor Community Hospital. The Board of Directors of the Hospital consists solely of the seven elected commissioners of the District.

The District is a municipal corporation of the state of Washington formed under the provisions of Chapter 70.44 of the Revised Code of Washington. The District is considered a political subdivision of the state of Washington and is allowed by law to be its own Treasurer.

The District includes the incorporated cities of Aberdeen, Hoquiam, Ocean Shores, Westport, Montesano, and the surrounding communities. In total, the District is the primary healthcare provider for approximately 72,000 residents and covers approximately 1,600 square miles.

The entities represented in the financial statements are the Hospital, a 501(c)(3) organization, Grays Harbor Community Hospital Physician Services, LLC (GHCHPS), GHCH Foundation, and the Grays Harbor Public Hospital District No. 2.

Economic Factors Affecting the Current Environment and Future Direction of the District

Impact of COVID-19: The COVID-19 pandemic continued to present operational challenges to the District in 2023. Labor availability and labor cost continued to be the greatest challenges in 2023 with high numbers of costly temporary staffing required to support hospital operations. Staffing constraints impacted capacity throughout the facility and clinics.

Easing the economic burden imposed by COVID-19, the District has received a total of $42.4 million in stimulus funding from March 2020 through December 2021, including $14.3 million in advanced payments from Medicare, $9.8 million from an SBA PPP loan, $13.6 million in Cares Act grants, $4.3 million in American Rescue Plan Act grants, and $286,000 in disaster relief grants from the state of Washington. The District has repaid all of the Medicare advance as of December 31, 2022, and received complete loan forgiveness of the SBA PPP loan.

Financial Performance: For the fiscal year ended December 31, 2023, the financial statements report a net operating loss of $7.3 million, and an operating loss margin of 6.95%. This compares to amounts in 2022 of a net operating loss of $6.9 million, a surplus of expenses over revenues of $7.1 million, and an operating loss margin of 7.15%. The greatest driver of the operating loss was the increased costs of labor, including both wage inflation and premium temporary labor.

Payor Reimbursement: 77.6% of gross patient revenue is derived from Medicare, Medicaid, and self-pay. Only 20.2% of revenue comes from commercial insurers – payors whose reimbursement rates generally cover the full costs of services. Reimbursement from Medicaid and Medicaid managed care organizations (MCOs) have improved in recent years, due to renegotiated contracts with Medicaid MCOs, and in the case of the traditional Medicaid, through a budget provision increasing reimbursement for two Washington public hospital districts, including GHPHD#2. The proviso must be renewed each biennial budget and are not guaranteed to continue, though, and the District continues to advocate for permanent reimbursement improvements for Medicaid at the State level. The District continues to focus resources on primary care services through expansion of its provider-based Rural Health Clinics. The District continues to focus resources on primary care services through expansion of its provider-based Rural Health Clinics. By focusing resources to our provider-based Rural Health Clinic's, the District has been able to recruit additional rural health primary care providers, add cardiology to its primary care services, and open a same-day walk-in clinic at our East Campus facility.

The District was awarded with a Certificate of Need for elective Percutaneous Coronary Intervention in 2023. Further expanding the District's Cardiology program at our state of the art Cardiac Catheterization Suite, which allows our District's residents to receive lifesaving care at their local hospital.

In 2023, the District was contracted with the two largest Medicaid MCOs in our region, Molina Healthcare, and Amerigroup. In 2023, the total Medicaid managed lives within the County covered by the District's MCO contracts were approximately 22,000. With these two MCOs as partners, 84% of Medicaid members in Grays Harbor County now have access to high quality local healthcare. The District plans to expand its MCO coverage in 2024 to further meet the needs of the community's most vulnerable.

Unreimbursed Care: With the expiration of the COVID-19 public health emergency, Medicaid rolls began to be purged in 2023. Grays Harbor County experienced an approximate drop in enrollment of 11%. This trend is concerning to the District, as many of these previous Medicaid recipients have limited access to health insurance and may delay or forego necessary care. The District continues to experience an elevated utilization of the emergency department by patients with non-acute medical and behavioral health issues. These demands, coupled with the challenge faced by rural communities with limited nursing home and behavioral health beds has diverted critical and costly resources away from acute patients, in most cases without a corresponding reimbursement for services.

Sole Community Hospital and Rural Health Clinics: In October 2017, the Hospital transitioned itself into a 49-bed Sole Community Hospital to better serve the primary care needs of the community. At 49 beds, the Hospital qualifies to operate provider-based rural health clinics and receive cost-based reimbursement from Medicare and Medicaid for primary care services. In April 2018, the Hospital completed its conversion of its clinics at Aberdeen East Campus, , Hoquiam, and Montesano into hospital-based rural health clinics. This transition now allows the District to further invest in and expand primary care services for our District residents. The District continues to focus significant time and resources on community access to primary care services in our Rural Health Clinics, with the recruitment of primary care practitioners The District continues to partner with Premera and the University of Washington as a participating facility in a primary care nurse practitioner fellowship program with the goal to attract ARNP's to our community.

Operating Costs: Inpatient volumes have continued to rebound in 2023 from the decreases in 2021, primarily due to staffing constraints. Second floor Med/Surg unit was temporarily closed in 2021 in order to redeploy nurses to the third floor to consolidate patient care. This move to allow better care for patients with limited staffing also had the effect of closing half of the facilities Med/Surg beds. Emergency Room visits were up 6% in 2023 compared with 2022. Staffing and behavioral health holds continued to play a primary role in limiting patient capacity in the Emergency Room causing the facility to go on divert more in the past two years compared to prior years. Overall outpatient volumes ticked up 10% from 2022. COVID-19 and its downstream impacts played a primary factor in outpatient volume decline in 2021. Clinical staffing challenges throughout the organization have limited capacity in most patient service areas. Labor costs in 2023 continued to be high due to upward wage pressure and high utilization of temporary staffing to fill open clinical positions.

Labor continues to be the most significant operating cost for the District and its greatest challenge. The District continues to focus significantly on improving operating cost management to ensure alignment with volumes through productivity management and reporting. In 2021, the District invested in the Vizient operational benchmarking tool to further gain insight into opportunities to improve operating margins. Due to the national labor market and rising cost of labor in the industry, labor costs continue to be high. Labor costs as a percentage of total operating expenses continued its trend upwards equaling 58.5% of total annual operating expenses in 2023, 57.7% 2022, and 55.7% in 2021. Increased reliance on temporary staffing to fill critical clinical vacancies continues to be high in 2023 at $10.8 million. Fees charged by agencies for clinical staffing in some positions increased by over 300% during the pandemic further increasing labor costs for the District and healthcare providers across the country. Annual operating expenses have continued the high trend, primarily due to rising wages and temporary staffing cost premiums.

Public Hospital District No. 2

Effective January 1, 2015, the District became the sole member of the Hospital, resulting in the Hospital becoming a public entity and being required to convert to reporting under standards for governmental accounting and financial reporting.

In 2023, Grays Harbor Public Hospital District No. 2 collected $5.0 million from levy receipts, compared with $5.1 million in 2022, and $4.8 million in 2021, reflecting a slight decrease from last year.

GHCHPS

GHCHPS was formed in 2007 and is a subsidiary of the Hospital. GHCHPS is a multi-specialty physician group serving the Grays Harbor Community with clinics in Aberdeen, Hoquiam, and Montesano. Its services include internal medicine, family medicine, pediatrics, obstetrics and gynecology, urology, general surgery, gastroenterology, and orthopedic surgery. GHCHPS also manages the rural health clinics operated by the Hospital.

In 2023, GHCHPS's specialty clinics logged approximately 12,800 patient visits, compared to approximately 14,000 visits in 2022, a 9% year-over-year decline, primarily due to Cardiac Clinic being moved to a Rural Health Care Clinic. Rural health clinic visits numbered roughly 39,000 in 2023 compared to 35,000 in 2022, a 10% increase. GHCHPS continues to actively recruit primary care practitioners for internal medicine, obstetrics and gynecology, pediatrics, and family medicine as well as orthopedic and general surgeons to expand access to care for the District and surrounding community.

Committed to patient satisfaction and expanding access to quality healthcare, GHCHPS is continuously growing its outpatient medical services to better serve the community. The medical group's physicians and medical staff strive to provide the highest standard of health care in a comfortable, safe, convenient, and patient friendly environment.

GHCH Foundation

The GHCH Foundation (the Foundation) was formed to support the Hospital programs, services, and capital needs through advocacy and fundraising.

The current focus of the Foundation involves assisting the Hospital with IT infrastructure, an MRI, facility improvements, and other specific medical equipment needs as requested by the Hospital.

Volume and Statistics

	2023	2022	2021
Inpatient admissions	2,864	2,707	2,467
Inpatient days	12,982	13,132	11,572
Outpatient observation patients	929	955	961
Emergency room visits	21,243	20,280	19,201
Surgery cases - hospital	3,294	2,971	3,250
Newborn deliveries	297	290	295
Hospital outpatient visits	125,614	119,726	114,464
Clinic visits	51,485	49,488	44,016
Full-time equivalent employees	506	485	497

Summary Statement of Net Position

The following is a presentation of certain financial information derived from the District's statement of net position:

	2023	2022	2021
Assets			
Cash and investments	$ 7,812,891	$ 11,591,164	$ 26,077,809
Net accounts receivable	24,497,355	22,314,245	20,108,445
Assets limited as to use	10,399,278	9,578,231	10,925,884
Net capital assets	28,247,783	29,799,686	31,053,632
Other assets	3,955,778	8,691,054	5,881,914
Deferred outflows of resources	6,209,487	702,962	2,207,534
Total assets and deferred outflows of resources	$ 81,122,572	$ 82,677,342	$ 96,255,218
Liabilities and net position			
Current liabilities	$ 26,672,888	$ 23,176,940	$ 28,701,822
Long-term obligations, net of current portion	33,620,042	34,380,644	35,116,245
Other long-term liabilities	2,957,188	-	-
Total liabilities	63,250,118	57,557,584	63,818,067
Deferred inflows of resources	3,083,131	4,751,656	4,079,728
Net position			
Net investment in capital assets	28,247,783	29,799,686	31,053,632
Restricted expendable	2,396,302	2,396,450	2,396,450
Restricted nonexpendable for permanent endowment	5,324,782	5,324,782	5,324,782
Unrestricted	(21,179,544)	(17,152,816)	(10,417,441)
Total net position	14,789,323	20,368,102	28,357,423
Total liabilities, deferred inflows of resources, and net position	$ 81,122,572	$ 82,677,342	$ 96,255,218

Total assets declined by $2.4 million from 2022 to 2023. The decrease is driven by a decrease of $3.4 million due to operating losses. Total assets declined by $13.6 million from 2021 to 2022.

Liabilities increased by $4.7 million in 2023 over 2022. This increase is due to an increase in pension liabilities of $2.26 million. Liabilities decreased $6.3 million in 2022 over 2021. The decrease reflects the $9.8 million paydown of the Medicare advance.

Summary Statement of Revenues, Expenses, and Changes in Net Position

The following is a summary for the years ended December 31:

	2023	2022	2021
Gross patient service charges	$ 426,819,954	$ 390,551,861	$ 352,098,395
Discounts, bad debts, and charity	(328,673,004)	(296,153,867)	(261,042,144)
Net patient service revenue	98,146,950	94,397,994	91,056,251
Property tax revenue	4,964,692	5,100,246	4,817,058
Cafeteria and other	2,758,691	1,601,198	1,715,485
Total operating revenue	105,870,333	101,099,438	97,588,794
Operating expenses			
Employee compensation and benefits	52,524,214	50,675,445	53,603,871
Purchased services	38,233,248	36,478,187	26,821,454
Supplies	11,665,166	11,223,954	10,430,627
Depreciation, amortization, and interest	4,585,408	4,852,303	4,849,230
Other operating expenses	6,192,164	4,845,642	5,468,251
Total operating expenses	113,200,200	108,075,531	101,173,433
Operating loss	(7,329,867)	(6,976,093)	(3,584,639)
Net nonoperating income (loss)	1,751,088	(1,013,228)	15,299,922
Change in net position	(5,578,779)	(7,989,321)	11,715,283
Net position, beginning of year	20,368,102	28,357,423	16,642,140
Net position, end of year	$ 14,789,323	$ 20,368,102	$ 28,357,423

Sources of Revenue

The Hospital's net patient service revenue for 2023 increased $3.8M or 3.9%, from 2022, as a result of improved revenue cycle performance and higher reimbursement rates from our MCO contracts. The Hospital's net patient service revenue for 2022 increased $3.4M, or 3.7%, from 2021, as a result of negotiated rates with Medicaid MCO's.

Patient service revenues are reported net of contractual adjustments related to Medicare, Medicaid, and other third-party payors.

The following table shows the percentage of gross revenue by payor class based upon charges for the years ended December 31:

	2023	2022	2021
Medicare	51%	50%	50%
Medicaid	25%	26%	25%
Commercial	22%	22%	23%
Self-pay	2%	2%	2%
	100%	100%	100%

Statement of Cash Flows

The following is a summary for the years ended December 31:

	2023	2022	2021
Cash flows from operating activities	$ (939,207)	$ (10,507,112)	$ (3,069,374)
Net cash from capital and related financing activities	(3,769,107)	(4,313,958)	(5,268,100)
Net cash from investing activities	706,948	360,873	5,158,565
	$ (4,001,366)	$ (14,460,197)	$ (3,178,909)

Contacting the District

This financial report is designed to provide patients, taxpayers, and creditors with a general overview of the District's finances. If you have questions or need additional financial information, contact:

Harbor Regional Health and Subsidiaries
Attn: CEO
915 Anderson Drive
Aberdeen, WA 98520

Financial Statements

Grays Harbor Public Hospital District No. 2
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,812,891	$ 11,538,164
Short-term investments	-	53,000
Patient accounts receivable, net of estimated uncollectibles of $6,342,000 and $5,571,000	24,497,355	22,314,245
Supplies inventory	2,129,883	2,133,047
Prepaid expenses and other assets	811,433	1,520,477
Total current assets	35,251,562	37,558,933
ASSETS LIMITED AS TO USE		
Board-designated assets	2,678,194	1,856,999
By donors for endowment	5,324,782	5,324,782
Assets held under bond indenture agreements	2,396,302	2,396,450
	10,399,278	9,578,231
CAPITAL ASSETS, net	28,247,783	29,799,686
SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS	1,014,462	-
NET PENSION ASSET	-	5,037,530
Total assets	74,913,085	81,974,380
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	6,209,487	702,962
Total assets and deferred outflows of resources	$ 81,122,572	$ 82,677,342

See accompanying notes.

Grays Harbor Public Hospital District No. 2
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 18,199,420	$ 15,100,084
Accrued payroll and related liabilities	5,975,306	5,915,797
Estimated third-party payor settlements	1,471,177	1,446,059
Current portion of SBITA obligations	286,985	-
Current portion of long-term debt	740,000	715,000
Total current liabilities	26,672,888	23,176,940
LONG-TERM DEBT, net of current portion	33,620,042	34,380,644
SBITA OBLIGATIONS, net of current portion	690,483	-
NET PENSION LIABILITY	2,266,705	-
Total liabilities	63,250,118	57,557,584
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	3,083,131	4,751,656
NET POSITION		
Invested in capital assets, net of related debt	28,247,783	29,799,686
Restricted expendable for debt service	2,396,302	2,396,450
Restricted nonexpendable for permanent endowment	5,324,782	5,324,782
Unrestricted	(21,179,544)	(17,152,816)
Total net position	14,789,323	20,368,102
Total liabilities, deferred inflows of resources, and net position	$ 81,122,572	$ 82,677,342

See accompanying notes.

Grays Harbor Public Hospital District No. 2
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $5,192,000 and $5,119,000)	$ 98,146,950	$ 94,397,994
Property tax revenue	4,964,692	5,100,246
Other operating revenue	2,758,691	1,601,198
Total operating revenues	105,870,333	101,099,438
OPERATING EXPENSES		
Salaries and benefits	52,524,214	50,675,445
Purchased services	24,392,069	24,889,589
Professional fees	13,841,179	11,588,598
Supplies	11,665,166	11,223,954
Occupancy	3,699,809	2,951,218
Depreciation and amortization	2,710,231	2,929,678
Other expenses	2,492,355	1,894,424
Interest	1,875,177	1,922,625
Total operating expenses	113,200,200	108,075,531
Operating loss	(7,329,867)	(6,976,093)
NONOPERATING REVENUES (EXPENSES)		
Investment income (loss)	1,511,517	(1,221,047)
Other	239,571	207,819
Total nonoperating revenues (expenses)	1,751,088	(1,013,228)
CHANGE IN NET POSITION	(5,578,779)	(7,989,321)
NET POSITION, beginning of year	20,368,102	28,357,423
NET POSITION, end of year	$ 14,789,323	$ 20,368,102

See accompanying notes.

Grays Harbor Public Hospital District No. 2
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	$ 95,988,958	$ 92,301,767
Cash paid to suppliers	(52,316,028)	(48,772,233)
Cash paid to employees	(52,335,520)	(50,852,999)
Cash receipt from property tax revenue	4,964,692	5,100,246
Cash paid to Medicare advance	-	(9,885,091)
Other cash receipts	2,758,691	1,601,198
Net cash from operating activities	(939,207)	(10,507,112)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,158,328)	(1,675,732)
Interest paid on long-term debt	(1,875,177)	(1,922,625)
Repayment of long-term debt	(735,602)	(715,601)
Net cash from capital and related financing activities	(3,769,107)	(4,313,958)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short-term investments	53,000	(132)
Net change in board-designated investments	(1,097,140)	1,374,233
Investment income (loss)	1,751,088	(1,013,228)
Net cash from investing activities	706,948	360,873
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,001,366)	(14,460,197)
CASH AND CASH EQUIVALENTS, beginning of year	14,214,427	28,674,624
CASH AND CASH EQUIVALENTS, end of year	$ 10,213,061	$ 14,214,427
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 7,812,891	$ 11,538,164
Cash and cash equivalents in assets limited as to use	2,400,170	2,676,263
	$ 10,213,061	$ 14,214,427
NONCASH OPERATING ACTIVITIES		
Right-to-use asset obtained in exchange for SBITA obligations	$ 1,137,270	-

See accompanying notes.

Grays Harbor Public Hospital District No. 2
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (7,329,867)	$ (6,976,093)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	2,710,231	2,929,678
Provision for bad debts	(5,192,207)	(5,119,034)
Noncash SBITA activity	(36,994)	-
Change in net pension plan obligations	129,185	(703,152)
Interest expense considered a capital financing activity	1,875,177	1,922,625
Changes in operating assets and liabilities		
Patient accounts receivable	3,009,097	2,913,234
Supplies inventory	3,164	(8,218)
Prepaid expenses and other assets	709,044	78,730
Accounts payable	3,099,336	3,705,038
Accrued payroll and related liabilities	59,509	525,598
Estimated third-party payor settlements	25,118	109,573
Advance Medicare payments	-	(9,885,091)
Net cash from operating activities	$ (939,207)	$ (10,507,112)

See accompanying notes.

Note 1 – District and Operations

Grays Harbor Public Hospital District No. 2 (the District) is the sole member of Harbor Regional Health (the Hospital) and its subsidiaries. The Board of Directors of the Hospital is comprised solely of the seven elected commissioners of the District. As a result, the District is a public entity and reports under standards for governmental accounting and financial reporting established by the Governmental Accounting Standards Board (GASB).

Harbor Regional Health is a licensed 140-bed acute-care facility. The Hospital provides health care services throughout the Grays Harbor County, Washington, area. It is accredited by Det Norske Veritas, Inc.

Grays Harbor Community Hospital Foundation (the Foundation) raises funds for the improvement of health care services in the Grays Harbor County, Washington, area. The financial statements reflect the Foundation as a wholly owned subsidiary of the Hospital.

Grays Harbor Community Hospital Physician Services, LLC (GHCHPS) provides clinic services in Aberdeen, Montesano, and Hoquiam, Washington. GHCHPS is doing business as Harbor Regional Health Medical Group. The financial statements reflect GHCHPS as a wholly owned for-profit subsidiary of the Hospital.

The entities above are collectively referred to as the District.

Financial reporting entity and blended component unit – As required by accounting principles generally accepted in the United State of America (GAAP), the financial statements include the accounts of the District, Harbor Regional Health, the Foundation, and GHCHPS. All intercompany amounts have been eliminated in consolidation.

Component units are legally separate organizations for which the District is financially accountable. These entities may be reported in the financial statements of the primary government in one of two ways: the component units' amounts may be blended with the amounts reported by the primary government, or they may be shown in a separate column, depending on the application of the criteria of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. All entities of the District meet the criteria of a blended component entity and have been included in the financial statements.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Use of estimates – The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain amounts in the financial statements for prior years have been reclassified to conform to the current financial statement presentation.

Cash and cash equivalents – The District defines cash and cash equivalents to include demand deposits, savings accounts, and short-term investments with original maturity periods of three months or less. Cash classified as assets limited as to use is considered cash and cash equivalents in the statements of cash flows. Cash in bank deposits may, at times, exceed federally insured limits.

Short-term investments – Short-term investments include certificates of deposit that mature in less than 12 months from the statements of net position date. The amounts are reported at cost plus accrued interest, which approximates market value.

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

Supplies inventory – Inventories of medicine and dietary and medical supplies are valued at the lower of cost, computed on the first-in, first-out basis, or net realizable value.

Assets limited as to use – Assets limited as to use include assets set aside by the board of directors for future capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes, and assets held by a bond trustee under indenture agreements. Investments are valued at market value as of the statements of net position date. Assets limited as to use also include endowments.

Endowments – Endowments are provided to the District on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the District's Board of Commissioners to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note 3.

Investments – Investments in equity securities with readily determinable fair values are measured at fair value on the statements of net position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in net position unless the income or loss is restricted by donor or law.

Capital assets – Land, buildings, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method. Equipment under capital lease is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

The District reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donated assets are recorded at their fair market value at the time of contribution. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the District reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The District evaluates capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets that are held and in use are reviewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of December 31, 2023 and 2022.

Subscription-Based Information Technology Arrangements (SBITA) – The District is the end user for various SBITAs. Short-term SBITAs, which have a maximum possible term of 12 months or less, are recognized as an outflow of resources when payment is made. For SBITAs with subscription terms extending beyond one year, the District recognizes an intangible right-to-use subscription asset and a corresponding subscription liability.

Initial measurement of the subscription asset/liability is calculated at the present value of payments expected to be paid during the subscription term, discounted using the incremental borrowing rate. The right-to use-asset is amortized on a straight-line basis over the subscription term.

There have been no outflows of resources recognized in the reporting periods for variable payments not previously included in the measurement of the SBITA liability, or other payments such as termination penalties.

Federal income taxes – The District, as a political subdivision of the state of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code.

Estimated malpractice settlement costs – The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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

Pension – For purposes of measuring the net pension asset, information about the fiduciary net position and additions to/deductions from that plans' fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position – Net position of the District is classified into four components. *Net invested in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable for debt service* are noncapital net positions that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Restricted nonexpendable for permanent endowment* equals the principal portion of permanent endowments as of December 31, 2023 and 2022. *Unrestricted net position* is the remaining net position that does not meet the definition of *invested in capital assets, net of related debt* or *restricted*.

Operating revenues and expenses – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenue, result from exchange transactions associated with providing health care services—the District's primary business. Nonoperating revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as other operating revenues. Operating expenses are all expenses incurred to provide health care services.

Net patient service revenue – Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services and includes retroactive adjustments under reimbursement arrangements with third-party payors. Estimated settlements are established in the period the related services are rendered and retroactively adjusted in future periods as final settlements are determined.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The costs the Hospital incurred to provide charity care were approximately $2,106,000 and $1,219,000 for the years ended December 31, 2023 and 2022, respectively. The Hospital has estimated these costs by multiplying its ratio of costs to gross charges to the gross uncompensated charges associated with providing charity care.

Adoption of new accounting standard – 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. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District did not have any such arrangements as of December 31, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for the year ending December 31, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of a SBITA), and requires note disclosures regarding a SBITA. During the year ended December 31, 2023, the District implemented GASB Statement No. 96 on a retroactive basis with no restatement of December 31, 2022, balances. The District recognized a subscription liability of approximately $66,000 as of January 1, 2023, due to the implementation of GASB Statement No. 96; however, this entire amount was offset by an intangible right-to-use subscription asset.

Note 3 – Restricted Net Position and Endowment

Restricted expendable net position is intended for redemption of bond indebtedness, as detailed in Note 5. Restricted nonexpendable net position represents the Warren Endowment Fund, which is a permanent endowment.

Unless the contributor provides specific instructions, Washington State law permits the District's Board of Commissioners to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Commissioners is required to consider the District's "long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

Note 4 – Net Patient Service Revenue

The District has arrangements with third-party payors that reimburse the District for services to patients at amounts different from its standard charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute-care services rendered to Medicare program beneficiaries are paid at predetermined, specific rates for each hospital discharge. Discharges are classified according to a list of diagnosis-related groups (DRGs). Each DRG has a payment weight assigned to it based on the average resources used to treat Medicare patients in that DRG. The Hospital’s classification of DRGs and the appropriateness of their admission are subject to an independent review by a peer review organization. Outpatient services to Medicare beneficiaries are paid prospectively based on ambulatory payment classifications (APCs). The Hospital’s cost reports have been reviewed and/or audited by the Medicare fiscal intermediary through 2018. Unsecured net patient accounts receivable balances under the Medicare program totaled approximately $5,665,000 and $4,969,000 in 2023 and 2022, respectively. Net patient service revenue under the Medicare program totaled approximately $38,895,198 and $35,323,000 in 2023 and 2022, respectively.

Medicaid – Inpatient acute-care services rendered to Medicaid program beneficiaries are paid on a prospective payment system similar to Medicare. Outpatient services to Medicaid beneficiaries are paid prospectively based on APCs. Unsecured net patient accounts receivable balances under the Medicaid program totaled approximately $6,771,000 and $6,860,000 in 2023 and 2022, respectively. Net patient service revenue under the Medicaid program totaled approximately $25,409,000 and $29,422,000 in 2023 and 2022, respectively.

The Hospital's estimates of final settlements to or from Medicare and Medicaid through 2023 have been recorded in the accompanying statement of net position. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the net amounts accrued and subsequent settlements are recorded in operations at the time of settlement.

Other third-party payors – The District has also entered into various payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations, which provide for payment or reimbursement at amounts different from published rates. Contractual adjustments represent the difference between published rates for services and amounts paid or reimbursed by these third-party payors.

The following are the components of net patient service revenue for the years ended December 31:

	2023	2022
Gross patient service revenue	$ 426,819,954	$ 390,551,861
Less adjustments to gross patient service revenue		
Contractual adjustments	(321,374,915)	(289,816,270)
Provision for bad debts	(5,192,207)	(5,119,034)
Charity care	(2,105,882)	(1,218,563)
Total adjustments to gross patient service charges	(328,673,004)	(296,153,867)
Net patient service revenue	$ 98,146,950	$ 94,397,994

Note 5 – Deposits, Investments, and Assets Limited as to Use

The Board of Commissioners has internally designated assets to provide for capital improvements and other requirements in a project fund. In addition, certain assets are held and restricted under bond indenture agreements. The carrying amounts of these, as well as other deposits and investments, are included in the District's statements of net position as follows:

	2023	2022
Designated by Board of Directors for capital improvements		
Equity securities	$ 2,674,326	$ 1,577,186
Cash and cash equivalents	3,868	279,813
	$ 2,678,194	$ 1,856,999
Held under bond indenture agreements		
Cash and cash equivalents	$ 2,396,302	$ 2,396,450
Designated by donors for endowment		
Equity securities	$ 5,324,782	$ 5,324,782

Deposits – All of the District's deposits are either insured or collateralized. The District's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection is provided by the Washington Public Deposit Protection Commission (WPDPC).

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits the types of securities to those authorized by statute; therefore, credit risk is very limited. Obligations of the U.S. government and agencies are not considered to have credit risk.

The composition of investments, reported at fair value by investment type at December 31, 2023, excluding unrestricted cash, short-term investments, and other assets limited as to use balances of $10,213,061, is as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Totals
Equity securities	$ 7,999,108	100%

The composition of investments, reported at fair value by investment type at December 31, 2022, excluding unrestricted cash, short-term investments, and other assets limited as to use balances of $14,267,427, is as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Totals
Equity securities	$ 6,901,968	100%

Custodial credit risk – Custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All U.S. government securities are held by the District's safekeeping custodian acting as an independent third party and carry no custodial credit risk.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District mitigates credit risk by limiting the percentage of the portfolio invested with any one issuer.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The District manages interest rate risk by having policy limitations on the maximum maturity of any one security to less than 36 months from settlement date to maturity date unless matched to a specific cash flow requirement.

Note 6 – Assets Held Under Bond Indenture Agreements

The Revenue Bonds, Series 2018, require the District to establish and maintain funds for bond debt service (Note 8). Investments are stated at market value, which approximates cost. The assets are held by the bond trustee and are invested in treasury obligations and money market funds. The balance was $2,396,302 at December 31, 2023 and 2022.

Note 7 – Capital Assets

Capital asset additions, retirements, transfers, and balances for the years ended December 31, 2023 and 2022, were as follows:

	Beginning Balance January 1, 2023	Additions	Retirements	Account Transfers	Ending Balance December 31, 2023
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 1,702,265	$ -	$ -	$ -	$ 1,702,265
Construction-in-progress	746,443	284,418	-	-	1,030,861
	2,448,708	284,418	-	-	2,733,126
DEPRECIABLE CAPITAL ASSETS					
Land improvements	790,904	-	-	-	790,904
Buildings and improvements	70,019,236	52,772	-	-	70,072,008
Fixed equipment	5,798,820	418,955	-	176,707	6,394,482
Movable equipment	39,148,084	402,183	-	(176,707)	39,373,560
	115,757,044	873,910	-	-	116,630,954
LESS ACCUMULATED DEPRECIATION					
Land improvements	(657,134)	(10,218)	-	-	(667,352)
Buildings and improvements	(47,826,689)	(1,527,028)	-	-	(49,353,717)
Fixed equipment	(4,100,172)	(282,168)	-	-	(4,382,340)
Movable equipment	(35,822,071)	(890,817)	-	-	(36,712,888)
Net depreciable capital assets	27,350,978	(1,836,321)	-	-	25,514,657
Net capital assets	$ 29,799,686	$ (1,551,903)	$ -	$ -	$ 28,247,783

	Beginning Balance January 1, 2022	Additions	Retirements	Account Transfers	Ending Balance December 31, 2022
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 1,702,265	$ -	$ -	$ -	$ 1,702,265
Construction-in-progress	236,401	698,028	-	(187,986)	746,443
	1,938,666	698,028	-	(187,986)	2,448,708
DEPRECIABLE CAPITAL ASSETS					
Land improvements	790,904	-	-	-	790,904
Buildings and improvements	69,894,216	22,521	-	102,499	70,019,236
Fixed equipment	5,614,103	120,204	-	64,513	5,798,820
Movable equipment	38,283,534	834,979	-	29,571	39,148,084
	114,582,757	977,704	-	196,583	115,757,044
LESS ACCUMULATED DEPRECIATION					
Land improvements	(632,499)	(24,635)	-	-	(657,134)
Buildings and improvements	(46,141,858)	(1,684,831)	-	-	(47,826,689)
Fixed equipment	(3,834,872)	(265,300)	-	-	(4,100,172)
Movable equipment	(34,858,562)	(954,912)	-	(8,597)	(35,822,071)
Net depreciable capital assets	29,114,966	(1,951,974)	-	187,986	27,350,978
Net capital assets	$ 31,053,632	$ (1,253,946)	$ -	$ -	$ 29,799,686

Depreciation and amortization expense was $2,710,231 and $2,929,678 in 2023 and 2022, respectively.

Note 8 – Long-Term Debt

Revenue Bonds, Series 2018 – On December 28, 2018, the District issued the Limited Tax General Obligation Bonds, Series 2018 (the 2018 Bonds), and loaned the proceeds totaling $35,925,000 to the Hospital to refund the Hospital's bonds. These bonds have variable rate securities due through December 31, 2048, in principal payments ranging from $740,000 to $2,280,000 annually, with interest ranging from 4% to 5%. The bonds are payable solely from payments made by the District from tax levies. The bonds will be used for the purpose of paying off existing debt prior to the issuance of these bonds. The District is required to comply with certain restrictive covenants included in the bond agreements. Among other matters, these covenants require limits on the amount of debt outstanding. During 2023 and 2022, bond premium amortization was approximately $20,600, which reduced interest expense.

During the years ended December 31, 2023 and 2022, the following changes occurred in the District's long-term liabilities:

	2022 Balance	Additions	Reductions	2023 Balance	Due Within One Year
Revenue Bonds, Series 2018	$ 35,095,644	$ -	$ 735,602	$ 34,360,042	$ 740,000
Total noncurrent liabilities	$ 35,095,644	$ -	$ 735,602	$ 34,360,042	$ 740,000

	2021 Balance	Additions	Reductions	2022 Balance	Due Within One Year
Revenue Bonds, Series 2018	$ 35,811,245	$ -	$ 715,601	$ 35,095,644	$ 715,000
Total noncurrent liabilities	$ 35,811,245	$ -	$ 715,601	$ 35,095,644	$ 715,000

Scheduled maturities of principal and interest on the Revenue Bonds, Series 2018 are as follows:

	Principal	Interest
2024	$ 740,000	$ 1,652,100
2025	770,000	1,622,500
2026	800,000	1,591,700
2027	835,000	1,559,700
2028	870,000	1,526,300
2029–2033	4,980,000	6,984,000
2034–2038	6,365,000	5,607,250
2039–2043	8,120,000	3,848,500
2044–2048	10,365,000	1,605,250
	33,845,000	$ 25,997,300
Net unamortized premium	515,042	
	$ 34,360,042	

Note 9 – Grays Harbor Community Hospital Retirement Plans

STATEMENT OF FIDUCIARY NET POSITION

	December 31, 2022	December 31, 2021
ASSETS		
Investments, at fair value		
Registered investment companies	$ 25,106,089	$ 32,665,976
Money market funds	90,205	118,377
Investment contract with insurance company	848,921	605,376
Total investments, at fair value	26,045,215	33,389,729
NET POSITION RESTRICTED FOR PENSIONS	$ 26,045,215	$ 33,389,729
ADDITIONS		
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	$ (6,148,072)	$ 3,952,173
Interest and dividends	702,394	768,928
Less investment expense	(18,318)	(18,150)
Net investment income (loss)	(5,463,996)	4,702,951
Transfer of assets into Plan	121,811	239,221
Total additions, net	(5,342,185)	4,942,172
DEDUCTIONS		
Benefit payments	2,002,329	2,039,532
NET CHANGE IN NET POSITION	(7,344,514)	2,902,640
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	33,389,729	30,487,089
End of year	$ 26,045,215	$ 33,389,729

Summary of Significant Accounting Policies

Investments – Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price on the last business day of the plan year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are recorded on a trade-date basis.

Description of Plan

The following description of the Grays Harbor Community Hospital Retirement Plan (the Plan) provides only general information. Plan members should refer to the Plan agreement, as amended, for a more complete description of the Plan's provisions.

The District established the Plan effective October 1, 1970. On January 1, 2001, the Plan was formally amended to incorporate the Grays Harbor Community Hospital 403(b) tax-sheltered annuity plan. On January 1, 2008, the Plan was further amended to set apart the 403(b) tax-sheltered annuity plan as a separate and distinct plan, with no impact upon the benefit earned under the defined benefit plan. Therefore, for the years 2001 through 2007, the defined benefit plan operated and acted as a floor plan for the retirement benefit package for employees who were employed during any portion of those years.

General – The Hospital maintains a noncontributory single employer defined benefit retirement plan covering substantially all employees. The benefits for this plan are based primarily on years of service and employees' pay near retirement. Plan provisions, including contributions and benefit provisions, are established and can be changed by the District's Board of Commissioners. The Board of Commissioners is a seven-member Board elected by voters within the District.

The Plan is subject to reporting under standards for governmental accounting and financial reporting established by the GASB.

The Plan has annual actuarial valuations performed with the most recent valuation completed as of January 1, 2022. Membership of the Plan consisted of the following as of January 1, 2022:

Active members	202
Terminated vested members not yet receiving benefits	396
Retirees and beneficiaries currently receiving benefits	355
	953

The Plan is frozen. All participants are fully vested in their accrued benefits and no further participants are allowed entry.

Investment policy – The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the District's Board of Commissioners. It is the policy of the District's Board of Commissioners to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy presents ranges for investment types as follows:

Investment Class	Target Allocation
Equity/alternatives	60%–80%
Fixed income	20%–40%

Contributions – As of December 31, 2022, the District was the sole employer and contributor to the Plan. The Plan directs the District to make contributions at an actuarially determined amount. The District reserves the right to suspend or reduce contributions to the Plan at any time, upon appropriate action by the Board. For the year ended December 31, 2022, the Hospital's average contribution rate was 0% of annual payroll.

Payment of benefits – pension benefits and vesting – As noted above, the Plan is frozen. Participants are 100% vested in the Plan upon completion of five years of service and have a nonforfeitable right to their accrued benefit upon reaching the normal retirement age of 65. Employees may elect to receive the value of their accumulated Plan benefits in one of four ways: (1) whole life annuity, (2) joint and survivor annuity, (3) period certain and life annuity, or (4) lump-sum payment if the amount is less than or equal to $5,000.

Participants whose employment ended prior to January 1, 2001, accrued benefits solely under the defined benefit plan and will receive benefits based upon the formula of the Plan.

Participants who were employed during the years 2001 through 2007, either entirely or in part, currently accrue benefits under the defined benefit plan while also having an offset benefit, which was earned under the 403(b) defined benefit offset. Additionally, employees who continued to be employed after January 1, 2008, accrue a benefit under the stand-alone, nonoffsetting 403(b) plan.

Participants who were employed after January 1, 2008, accrue benefits under the defined benefit plan with no offset while also vesting in an employer match into the stand-alone, nonoffsetting 403(b) plan.

Benefits vested under the offset 403(b) plan may be paid (1) as a lump sum in cash or a rollover, (2) as a partial cash sum and a partial rollover, (3) through an annuity purchased on the participants' behalf, or, as of January 1, 2012, (4) the participant may roll over the monies back into the defined benefit plan and receive higher monthly annuity payment options.

Benefits vested under the stand-alone, nonoffsetting 403(b) plan may be paid (1) as a lump sum or a cash rollover, (2) as a partial cash sum and a partial rollover, or (3) through an annuity purchased on the participants' behalf.

Payment of death benefits – In the event of a participant's death prior to retirement, vested benefits will be paid to the beneficiary as either a lump sum calculated at the time of death or as monthly payments payable beginning upon what would have been the normal retirement date of the participant.

Rate of return – For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -16.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension asset/liability – The components of the net pension asset (liability) of the Hospital were as follows:

	December 31, 2022	December 31, 2021
Total pension liability	$ (28,311,920)	$ (28,352,199)
Plan fiduciary net position	26,045,215	33,389,729
Net pension asset (liability)	$ (2,266,705)	$ 5,037,530
Plan fiduciary net position as a percentage of the total pension asset	91.99%	117.77%

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.25%
- Salary increases: N/A – Plan is frozen
- Investment rate of return: 7.00%

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The total pension liability was calculated as of the valuation date, which was the same as the measurement date of December 31, 2022.

Plan liabilities are stated as of December 31, 2022, and reflect the Plan's normal cost (using the entry-age cost method) and assumed interest.

Pre-retirement mortality rates were based on the nonannuitant male and female static tables prescribed by regulations for private sector plans for the 2022 Plan year. Post-retirement mortality rates were based on annuitant male and female static tables prescribed by regulations for private sector plans for the 2021 plan year.

The total net pension asset as of December 31, 2023, was determined by an actuarial valuation as of December 31, 2022. The total net pension asset as of December 31, 2022, was determined by an actuarial valuation as of December 31, 2021. The actuarial assumptions for the December 31, 2023 and 2022, actuarial reports were based on the results of an experience study for the period January 1, 2018 through December 31, 2022.

Discount rate – The discount rate used to measure the total pension liability for the plans was 7.0%.

Consistent with the long-term expected rate of return, a 7.0% future investment rate of return on invested assets was assumed. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-term expected rate of return – The long-term expected rate of return on the pension plan investments of 7.0% was assumed. The long-term expected rate of return on the pension plan investments of 7.0% was determined using a building-block-method. The actuary used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of actuaries' capital market assumptions. The actuary uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.0% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated rates of return by asset class – The inflation component used to create the table is 2.25% and represents the actuary's most recent long-term estimate of broad economic inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022, are summarized in the table below:

Asset Category	Allocation	2022 Rate of Return
Registered investment companies	99.6%	-16.8%
Money market funds	0.4%	-16.8%
	100%	

Sensitivity of net pension liability (asset) – The table below presents the Hospital's net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the Hospital's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net pension liability	$ 4,840,552	$ 2,266,705	$ 67,296

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the years ended December 31, 2023 and 2022, the Hospital recognized pension expense of $129,188 and $703,147, respectively. At December 31, 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assets gain (loss)	$ 6,187,795	$ (3,076,837)
Demographic gain	-	(6,294)
Assumption changes	21,692	-
	$ 6,209,487	$ (3,083,131)

At December 31, 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assets gain (loss)	$ 583,605	$ (4,751,656)
Demographic gain	119,357	-
Assumption changes	-	-
	$ 702,962	$ (4,751,656)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	$ (56,260)
2024	614,261
2025	1,021,407
2026	1,546,948
	$ 3,126,356

Other employee benefit plans – The Hospital has a tax deferred annuity plan covering substantially all qualified employees that was created in accordance with Internal Revenue Code Section 403(b). The plan allows participants to make salary deferrals up to amounts specified by the Internal Revenue Code. The employer contribution totaled $215,296.11 and $212,711 in 2023 and 2022, respectively, and is included in salaries and benefits in the accompanying financial statements.

The Hospital also has a cafeteria benefit plan created in accordance with Section 125 of the Internal Revenue Code.

Note 10 – Property Taxes

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

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

The District is permitted by law to levy up to $0.75 per $1,000 of assessed valuation for general district purposes. The Washington State Constitution and Washington State Law, RCW 84-55-010, limit the rate. The District may also levy taxes at a lower rate. Additional amounts of tax need to be authorized by a vote of the people.

For 2023 and 2022, the District's regular levy was $0.64 per $1,000 of assessed valuation. The District received $4,964,692 and $5,100,246 from Grays Harbor County for the regular levy for the years ended December 31, 2023 and 2022, respectively.

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

Note 11 – Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31 was as follows:

	2023	2022
Commercial	34%	33%
Medicare	23%	32%
Medicaid	31%	24%
Patient and self-pay	11%	10%
Other third-party payors	1%	1%
	100%	100%

Note 12 – Contingencies

Litigation – The District is involved in litigation arising in the ordinary course of business. Based on consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the District's future financial position or results from operations.

Compliance with laws and regulations – The health care industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased substantially. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Note 13 – Subscription-Based Information Technology Arrangements

A summary of the SBITA asset activity during the year ended December 31, 2023 is as follows:

	Balance at December 31, 2022	Additions	Deductions	Balance at December 31, 2023	Amounts Due Within One Year
SBITA assets - software	$ -	$ 1,137,270	$ -	$ 1,137,270	
Less accumulated amortization	-	(122,808)	-	(122,808)	
Total SBITA assets, net	$ -	$ 1,014,462	$ -	$ 1,014,462	
SBITA liabilities	$ -	$ 1,137,270	$ (159,802)	$ 977,468	$ 286,985

The future minimum SBITA principal and interest payments as of December 31, 2023, is as follows:

Years Ending December 30,	Principal	Interest	Total
2024	$ 286,985	$ 32,126	$ 319,111
2025	264,030	23,892	287,922
2026	232,338	15,796	248,134
2027	194,115	8,217	202,332
	$ 977,468	$ 80,031	$ 1,057,499

Required Supplementary Information

Grays Harbor Public Hospital District No. 2
Schedule of Proportionate Share of Net Pension Asset as of December 31

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total pension liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest (on the total pension liability)	1,914,574	1,911,662	1,774,319	1,878,337	1,824,942
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(19,408)	285,130	583,892	238,100	308,812
Change in assumptions	66,884	(134,272)	1,587,894	-	206,729
Benefit payments	(2,002,329)	(2,039,532)	(1,928,707)	(1,698,240)	(1,558,847)
Net change in total pension liability	(40,279)	22,988	2,017,398	418,197	781,636
Total pension liability - beginning	28,352,199	28,329,211	26,311,813	25,893,616	25,111,980
Total pension liability - ending (a)	$ 28,311,920	$ 28,352,199	$ 28,329,211	$ 26,311,813	$ 25,893,616
Plan fiduciary net position					
Employer contributions	$ -	$ -	$ 20,786	$ -	$ 87,991
Net investment income (loss)	(5,463,996)	4,702,951	3,954,261	5,193,490	(975,598)
Benefit payments	(2,002,329)	(2,039,532)	(1,928,707)	(1,698,240)	(1,558,847)
Administrative expense and other	121,811	239,221	223,346	410,961	157,837
Net change in plan fiduciary net position	(7,344,514)	2,902,640	2,269,686	3,906,211	(2,288,617)
Plan fiduciary net position - beginning	33,389,729	30,487,089	28,217,403	24,311,192	26,599,809
Plan fiduciary net position - ending (b)	$ 26,045,215	$ 33,389,729	$ 30,487,089	$ 28,217,403	$ 24,311,192
Net pension (liability) asset (b) - (a)	$ (2,266,705)	$ 5,037,530	$ 2,157,878	$ 1,905,590	$ (1,582,424)
Fiduciary net position as a percentage of the total pension liability	91.99%	117.77%	107.62%	107.24%	93.89%
Covered employer payroll	$ 13,416,168	$ 14,237,092	$ 16,333,536	$ 17,707,968	$ 33,399,880
Net pension asset as a percentage of covered employee payroll	-16.90%	35.38%	13.21%	10.76%	-4.74%

* As this is a newly adopted standard, information is only available for eight years.

Grays Harbor Public Hospital District No. 2
Schedule of Proportionate Share of Net Pension Asset as of December 31

	December 31, 2017	December 31, 2016	December 31, 2015
Total pension liability			
Service cost	$ -	$ -	$ -
Interest (on the total pension liability)	1,700,578	1,637,791	1,613,938
Changes in benefit terms	-	-	-
Difference between expected and actual experience	429,870	530,448	-
Change in assumptions	1,015,579	34,997	-
Benefit payments	(1,416,841)	(1,315,322)	(1,276,455)
Net change in total pension liability	1,729,186	887,914	337,483
Total pension liability - beginning	23,382,794	22,494,880	22,157,397
Total pension liability - ending (a)	$ 25,111,980	$ 23,382,794	$ 22,494,880
Plan fiduciary net position			
Employer contributions	$ -	$ 22,491	$ -
Net investment income (loss)	3,731,705	2,431,596	(461,904)
Benefit payments	(1,416,841)	(1,315,322)	(1,276,455)
Administrative expense and other	161,526	118,161	69,170
Net change in plan fiduciary net position	2,476,390	1,256,926	(1,669,189)
Plan fiduciary net position - beginning	24,123,419	22,866,493	24,535,682
Plan fiduciary net position - ending (b)	$ 26,599,809	$ 24,123,419	$ 22,866,493
Net pension (liability) asset (b) - (a)	$ 1,487,829	$ 740,625	$ 371,613
Fiduciary net position as a percentage of the total pension liability	105.92%	103.17%	101.65%
Covered employer payroll	$ 36,340,964	$ 34,754,575	$ 30,871,305
Net pension asset as a percentage of covered employee payroll	4.09%	2.13%	1.20%

* As this is a newly adopted standard, information is only available for eight years.

Grays Harbor Public Hospital District No. 2
Schedule of Employer Contributions as of December 31

Fiscal Year Ended	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency	Covered-Employee Payroll	Contribution as a Percentage of Covered Payroll
12/31/2015	$ -	$ -	$ -	$ 30,871,305	0.00%
12/31/2016	$ 22,491	$ 22,491	$ -	$ 34,754,575	0.00%
12/31/2017	$ 87,991	$ -	$ -	$ 36,340,964	0.00%
12/31/2018	$ -	$ 87,991	$ -	$ 33,399,880	0.00%
12/31/2019	$ 307,977	$ -	$ -	$ 17,707,968	0.00%
12/31/2020	$ 20,786	$ 20,786	$ -	$ 16,333,536	0.00%
12/31/2021	$ -	$ -	$ -	$ 14,237,092	0.00%
12/31/2022	$ -	$ -	$ -	$ 13,416,168	0.00%

* As this is a newly adopted standard, information is only available for the last eight years.

Grays Harbor Public Hospital District No. 2
Schedule of Investment Returns

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	-16.84%	15.86%	14.43%	22.08%	-3.72%

	2017	2016	2015
Annual money-weighted rate of return, net of investment expenses	15.86%	10.91%	-1.93%

* As this is a newly adopted standard, information is only available for the last eight years.

Supplementary Information

Grays Harbor Public Hospital District No. 2
Summary Statement of Net Position
December 31, 2023

	Hospital	Foundation	GHCHPS	District	Eliminations	Combined entities
CURRENT ASSETS						
Cash and cash equivalents	$ 844,274	$ 452,054	$ 488,972	$ 6,027,591	$ -	$ 7,812,891
Short-term investments	-	-	-	-	-	-
Patient accounts receivable, net	24,171,778	-	325,577	-	-	24,497,355
Supplies inventory	2,129,883	-	-	-	-	2,129,883
Prepaid expenses and other assets	770,159	2,250	3,296	35,728	-	811,433
Total current assets	27,916,094	454,304	817,845	6,063,319	-	35,251,562
ASSETS LIMITED AS TO USE						
Board-designated assets	11,512	2,666,682	-	-	-	2,678,194
By donors for endowment	-	5,324,782	-	-	-	5,324,782
Assets held under bond indenture agreements	-	-	-	2,396,302	-	2,396,302
	11,512	7,991,464	-	2,396,302	-	10,399,278
CAPITAL ASSETS, net	28,247,783	-	-	-	-	28,247,783
SUBSCRIPTION-BASED TECHNOLOGY ARRANGEMENTS	1,014,462	-	-	-	-	1,014,462
OTHER ASSETS						
Due from affiliates	58,551,438	-	-	-	(58,551,438)	-
NET PENSION ASSET	-	-	-	-	-	-
Total assets	115,741,289	8,445,768	817,845	8,459,621	(58,551,438)	74,913,085
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	6,209,487	-	-	-	-	6,209,487
Total assets and deferred outflows of resources	$ 121,950,776	$ 8,445,768	$ 817,845	$ 8,459,621	$ (58,551,438)	$ 81,122,572

Grays Harbor Public Hospital District No. 2
Summary Statement of Net Position
December 31, 2023

	Hospital	Foundation	GHCHPS	District	Eliminations	Combined entities
CURRENT LIABILITIES						
Accounts payable	$ 17,330,966	$ 216	$ 829,086	$ 39,152	$ -	$ 18,199,420
Accrued payroll and related liabilities	4,808,573	-	1,162,762	3,971	-	5,975,306
Estimated third-party payor settlements	1,471,177	-	-	-	-	1,471,177
Current portion of SBITA obligations	286,985	-	-	-	-	286,985
Current portion of long-term debt	-	-	-	740,000	-	740,000
Total current liabilities	23,897,701	216	1,991,848	783,123	-	26,672,888
DUE TO AFFILIATES	-	223,698	58,205,221	122,519	(58,551,438)	-
LONG-TERM DEBT, net of current portion	-	-	-	33,620,042	-	33,620,042
SBITA OBLIGATIONS, net of current portion	690,483	-	-	-	-	690,483
NET PENSION LIABILITY	2,266,705	-	-	-	-	2,266,705
Total liabilities	26,854,889	223,914	60,197,069	34,525,684	(58,551,438)	63,250,118
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	3,083,131	-	-	-	-	3,083,131
NET POSITION						
Invested in capital assets, net of related debt	28,247,783	-	-	-	-	28,247,783
Restricted expendable for debt service	-	-	-	2,396,302	-	2,396,302
Restricted nonexpendable for permanent endowment	-	5,324,782	-	-	-	5,324,782
Unrestricted	63,764,973	2,897,072	(59,379,224)	(28,462,365)	-	(21,179,544)
Total net position	92,012,756	8,221,854	(59,379,224)	(26,066,063)	-	14,789,323
Total liabilities, deferred inflows of resources, and net position	$ 121,950,776	$ 8,445,768	$ 817,845	$ 8,459,621	$ (58,551,438)	$ 81,122,572

Grays Harbor Public Hospital District No. 2
Summary Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2023

	Hospital	Foundation	GHCHPS	District	Eliminations	Combined entities
OPERATING REVENUES						
Net patient service revenue (net of provision for bad debts)	$ 95,317,519	$ -	$ 2,829,431	$ -	$ -	$ 98,146,950
Property tax revenue	-	-	-	4,964,692	-	4,964,692
Other operating revenue	8,303,786	144,615	10,290	-	(5,700,000)	2,758,691
Total operating revenues	103,621,305	144,615	2,839,721	4,964,692	(5,700,000)	105,870,333
OPERATING EXPENSES						
Salaries and benefits	41,076,424	-	11,390,071	57,719	-	52,524,214
Purchased services	31,233,448	3,016	(6,851,901)	7,506	-	24,392,069
Professional fees	11,720,779	-	1,946,400	174,000	-	13,841,179
Supplies	11,383,950	6,335	274,881	-	-	11,665,166
Occupancy	3,587,074	-	112,735	-	-	3,699,809
Depreciation and amortization	2,710,231	-	-	-	-	2,710,231
Other expenses	2,008,160	301,399	96,027	5,786,769	(5,700,000)	2,492,355
Interest	191,061	-	24,254	1,659,862	-	1,875,177
Total operating expenses	103,911,127	310,750	6,992,467	7,685,856	(5,700,000)	113,200,200
Operating loss	(289,822)	(166,135)	(4,152,746)	(2,721,164)	-	(7,329,867)
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	(39,208)	1,080,328	-	470,397	-	1,511,517
Other	239,571	-	-	-	-	239,571
Total nonoperating revenues (expenses)	200,363	1,080,328	-	470,397	-	1,751,088
Change in net position	(89,459)	914,193	(4,152,746)	(2,250,767)	-	(5,578,779)
NET POSITION, beginning of year	92,102,215	7,307,661	(55,226,478)	(23,815,296)	-	20,368,102
NET POSITION, end of year	$ 92,012,756	$ 8,221,854	$ (59,379,224)	$ (26,066,063)	$ -	$ 14,789,323

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Report of Independent Auditors 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*

The Board of Commissioners
Grays Harbor Public Hospital District No. 2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grays Harbor Public Hospital District No. 2 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Grays Harbor Public Hospital District No. 2's financial statements, and have issued our report thereon dated May 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grays Harbor Public Hospital District No. 2'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 Grays Harbor Public Hospital District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Grays Harbor Public Hospital District No. 2's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grays Harbor Public Hospital District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Moss Adams LLP

Everett, Washington
May 17, 2024


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