Office of the Washington State Auditor
Pat McCarthy

December 26, 2024

Board of Commissioners
Cascade Medical Center
Leavenworth, 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 Cascade Medical Center for the fiscal years ended December 31, 2023 and 2022. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

Pat McCarthy, State Auditor

Olympia, WA

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Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center

Basic Financial Statements and Independent Auditors' Reports

December 31, 2023 and 2022

ACCOUNTANTS | ADVISORS

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Leavenworth, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matter

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

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Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the District's total other postemployment benefits (OPEB) liability and related ratios, schedule of proportionate share of the net pension asset Law Enforcement Officers' and Fire Fighters' retirement system plan 2, and schedule of employer contributions Law Enforcement Officers' and Fire Fighters' retirement system plan 2 on pages 36-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2023. We issued a similar report for the year ended December 31, 2022, dated June 16, 2023, which has not been included with the 2023 financial and compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DZA PLLC

Spokane Valley, Washington
June 4, 2024

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Statements of Net Position
December 31, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2023**	**2022**
Current assets		
Cash and cash equivalents	**$ 12,812,520**	$ 9,922,464
Receivables:		
Patient accounts	**3,630,930**	3,452,558
Taxes	**42,410**	171,182
Estimated third-party payor settlements	**702,321**	1,551,806
Other	**72,893**	126,514
Taxes restricted as to use	**11,246**	11,494
Inventories	**270,696**	330,879
Prepaid expenses	**289,467**	327,191
Cash and cash equivalents restricted or limited as to use	**463,413**	1,785,457
Total current assets	**18,295,896**	17,679,545
Noncurrent assets		
Cash and cash equivalents limited as to use	**964,217**	1,314,457
Law enforcement officers' and fire fighters' benefits net pension asset	**591,878**	730,164
Capital assets, net of accumulated depreciation and amortization	**9,225,927**	10,037,379
Total noncurrent assets	**10,782,022**	12,082,000
Total assets	**29,077,918**	29,761,545
Deferred outflows of resources		
Deferred charge on debt refunding	**301,233**	322,465
Law enforcement officers' and fire fighters' benefits	**495,384**	400,613
Other postemployment benefits	**405,924**	463,553
Total deferred outflows of resources	**1,202,541**	1,186,631
Total assets and deferred outflows of resources	**$ 30,280,459**	$ 30,948,176

See accompanying notes to basic financial statements.

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**2023**	**2022**
Current liabilities		
Accounts payable	**$ 637,989**	$ 467,545
Accrued compensation and related liabilities	**1,395,232**	1,227,892
Accrued interest payable	**25,328**	27,214
Electronic health records incentive payback	**741,000**	741,000
Current maturities of long-term debt and other noncurrent liabilities	**877,069**	779,601
Total current liabilities	**3,676,618**	3,243,252
Noncurrent liabilities		
Long-term debt and other noncurrent liabilities, less current maturities	**8,976,714**	9,799,451
Other postemployment benefits liability	**1,074,248**	1,957,866
Total noncurrent liabilities	**10,050,962**	11,757,317
Total liabilities	**13,727,580**	15,000,569
Deferred inflows of resources		
Law enforcement officers' and fire fighters' benefits	**410,977**	586,421
Other postemployment benefits	**2,162,423**	1,286,503
Total deferred inflows of resources	**2,573,400**	1,872,924
Net position		
Net investment in capital assets	**(351,951)**	(246,422)
Restricted for debt service and emergency medical services	**88,623**	347,278
Unrestricted	**14,242,807**	13,973,827
Total net position	**13,979,479**	14,074,683
Total liabilities, deferred inflows of resources, and net position	**$ 30,280,459**	$ 30,948,176

See accompanying notes to basic financial statements.

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

	2023	2022
Operating revenues		
Net patient service revenue	**$ 25,402,503**	$ 22,244,842
Grants	**204,897**	365,116
Other	**140,658**	159,253
Total operating revenues	**25,748,058**	22,769,211
Operating expenses		
Salaries and wages	**14,868,578**	13,441,278
Employee benefits	**3,048,670**	2,910,002
Other postemployment benefits	**54,560**	135,036
Depreciation and amortization	**2,097,520**	1,932,014
Supplies	**2,212,826**	1,805,873
Professional fees and other purchased services	**4,025,985**	3,235,529
Utilities	**283,713**	278,584
Insurance	**253,481**	244,099
Leases and rentals	**186,058**	124,563
Repairs and maintenance	**647,646**	271,725
Other	**1,507,580**	1,099,248
Total operating expenses	**29,186,617**	25,477,951
Operating loss	**(3,438,559)**	(2,708,740)
Nonoperating revenues (expenses)		
Taxation for maintenance and operations and emergency medical services	**2,344,513**	2,296,803
Taxation for bond principal and interest	**662,504**	631,764
Investment income	**615,080**	166,882
(Gain) loss on sale of assets	**10,413**	(698)
Interest expense	**(364,234)**	(387,360)
Contributions and other nonoperating revenues	**1,500**	1,550
Total nonoperating revenues, net	**3,269,776**	2,708,941
Excess of revenues over (under) expenses before capital grants and contributions	**(168,783)**	201
Capital grants and contributions	**73,579**	164,771
Change in net position	**(95,204)**	164,972
Net position, beginning of year	**14,074,683**	13,909,711
Net position, end of year	**$ 13,979,479**	$ 14,074,683

See accompanying notes to basic financial statements.

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

		2023		2022
Change in Cash and Cash Equivalents				
Cash flows from operating activities				
Receipts from and on behalf of patients	**$**	**26,073,616**	$	21,404,182
Other receipts		**194,279**		72,565
Receipts from grants		**204,897**		365,116
Payments to and on behalf of employees		**(17,886,466)**		(16,326,593)
Payments to suppliers and contractors		**(8,848,938)**		(7,232,616)
Net cash from operating activities		**(262,612)**		(1,717,346)
Cash flows from noncapital financing activities				
Taxation for maintenance and operations and emergency medical services		**2,473,285**		2,426,643
Contributions		**1,500**		1,550
Net cash from noncapital financing activities		**2,474,785**		2,428,193
Cash flows from capital and related financing activities				
Taxation for bond principal and interest		**662,752**		632,903
Capital grants and contributions		**73,579**		164,771
Purchase of capital assets		**(1,138,614)**		(457,163)
Principal paid on long-term debt and other noncurrent liabilities		**(856,697)**		(717,456)
Interest paid on long-term debt and other noncurrent liabilities		**(350,501)**		(373,488)
Net cash from capital and related financing activities		**(1,609,481)**		(750,433)
Cash flows from investing activities, investment income		**615,080**		166,882
Net change in cash and cash equivalents		**1,217,772**		127,296
Cash and cash equivalents, beginning of year		**13,022,378**		12,895,082
Cash and cash equivalents, end of year	**$**	**14,240,150**	$	13,022,378

See accompanying notes to basic financial statements.

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

	2023	2022
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	**$ 12,812,520**	$ 9,922,464
Cash and cash equivalents restricted or limited as to use	**463,413**	1,785,457
Noncurrent assets		
Cash and cash equivalents limited as to use	**964,217**	1,314,457
Total cash and cash equivalents	**$ 14,240,150**	$ 13,022,378
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	**$ (3,438,559)**	$ (2,708,740)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	**2,097,520**	1,932,014
Provision for bad debts	**1,036,928**	563,432
(Increase) decrease in assets:		
Patient accounts receivable	**(1,215,300)**	(924,912)
Estimated third-party payor settlements	**849,485**	(479,180)
Other receivables	**53,621**	(86,688)
Inventories	**60,183**	(79,479)
Prepaid expenses	**37,724**	(160,715)
Law enforcement officers' and fire fighters' benefits net pension asset	**138,286**	544,028
Deferred outflows of resources, law enforcement officers' and fire fighters' benefits	**(94,771)**	(295,980)
Deferred outflows of resources, other postemployment benefits	**57,629**	29,079
Increase (decrease) in liabilities:		
Accounts payable	**170,444**	67,199
Accrued compensation and related liabilities	**167,340**	31,975
Other postemployment benefits liability	**(883,618)**	276,292
Deferred inflows of resources, law enforcement officers' and fire fighters' benefits	**(175,444)**	(251,571)
Deferred inflows of resources, other postemployment benefits	**875,920**	(174,100)
Net cash from operating activities	**$ (262,612)**	$ (1,717,346)

Noncash Investing, Capital, and Financing Activities

During the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in recognizing two subscription assets and related subscription liabilities totaling $97,863 as of January 1, 2023.

During the year ended December 31, 2023, the District entered into a new subscription arrangement in the amount of $39,178. During the year ended December 31, 2022, the District recognized lease assets and related lease liabilities totaling $106,054.

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District) owns and operates Cascade Medical Center, a nine-bed acute care hospital and rural health clinic. The District provides healthcare services to residents in Chelan County, Washington (the County). Services provided by the District include acute care hospital, emergency room, ambulance, physicians' clinic, and other related ancillary procedures (laboratory, imaging, physical therapy, etc.) associated with those services.

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

The District, governed by a five-member Board of Commissioners (the Board) elected to six-year terms, 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. The District is not reported as a component unit of Chelan County, Washington.

Related organization – The Cascade Medical Center Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized in 1992 for the primary purpose of soliciting charitable donations and raising funds on behalf of, and in support to, the District. Although the District does not control the Foundation, the majority of resources or income that the Foundation holds and invests is used for the benefit of the District. The Foundation provided contributions of approximately $39,000 and $127,000 to the District in 2023 and 2022, respectively. The Foundation is not reported as a component unit of the District.

b. Summary of Significant Accounting Policies

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

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

Cash and cash equivalents – All cash receipts are deposited directly with the Chelan County Treasurer (County Treasurer) who acts as the District Treasurer. Warrants are issued by the District against the cash placed with the County Treasurer. The County Treasurer invests cash in interest-bearing investments at the discretion of the District. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates of less than 90 days as cash and cash equivalents.

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

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and other expenses.

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

b. Summary of Significant Accounting Policies (continued)

Assets restricted or limited as to use – Assets restricted or limited as to use consist of amounts restricted for bond principal and interest payments and amounts set aside by the Board for designated purposes over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Taxes receivable restricted as to use – Such assets are set aside for repayment of bond principal and interest as required by bond indenture.

Capital assets – Capital assets are defined by the District as assets with initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Major expenses for capital assets and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals that do not increase the useful life of the asset are accounted for as expenses when incurred. Capital assets are recorded at historical cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Capital assets acquired under leases or subscription agreements are amortized over the shorter of the estimated useful life or the length of the lease or subscription agreement.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from expenses in excess of revenues, unless explicit donor stipulations specify how the donated assets must be used. 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 net assets.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

All capital assets, other than land and construction in progress, are depreciated or amortized using the straight-line method over the following estimated useful service lives:

Land improvements	10 to 20 years
Buildings and improvements	5 to 40 years
Fixed equipment	5 to 20 years
Major movable equipment	3 to 20 years
Subscription assets	3 to 4 years
Lease right-of-use assets:	
Buildings	3 years
Equipment	1 to 3 years

Compensated absences – The District’s policy is to permit employees to accumulate earned but unused paid time off (PTO). All PTO is accrued when incurred at varying rates depending on the employee’s position and contract. Unused PTO is accumulated and paid to the employee when the employee terminates employment with the District.

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

b. Summary of Significant Accounting Policies (continued)

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

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

Law enforcement officers' and fire fighters' (LEOFF) pension – For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans, and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. 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.

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

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

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

b. Summary of Significant Accounting Policies (continued)

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

Subsequent events – Subsequent events have been reviewed through June 4, 2024, the date on which the financial statements were available to be issued.

2. Bank Deposits:

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

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

The *Revised Code of Washington*, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments.

Amounts held in the Washington State Local Government Investment Pool at December 31, 2023 and 2022, were $12,928,872 and $10,715,466, respectively.

3. Patient Accounts Receivable:

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

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

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

	2023	**2022**
Receivables from patients and their insurance carriers	**$ 2,955,182**	$ 3,002,331
Receivables from Medicare	**1,845,487**	1,411,991
Receivables from Medicaid	**225,596**	137,129
Total patient accounts receivable	**5,026,265**	4,551,451
Less allowance for uncollectible accounts	**1,395,335**	1,098,893
Patient accounts receivable, net	**$ 3,630,930**	$ 3,452,558

4. Assets Restricted or Limited as to Use:

The composition of assets restricted or limited as to use is set forth in the following table:

	2023	2022
Current assets		
Cash and cash equivalents		
Internally designated by the Board:		
Third-party payor cost settlements	**$ 171,595**	$ 163,108
Memorial fund	**132,293**	125,812
Emergency medical services	**82,148**	1,160,753
Restricted by bond agreement for bond principal and interest payment, cash and cash equivalents	**77,377**	335,784
Total cash equivalents	**463,413**	1,785,457
Taxes receivable restricted for debt service and emergency medical services	**11,246**	11,494
Total current assets limited as to use	**474,659**	1,796,951
Noncurrent assets		
Internally designated by the Board for capital additions and replacements, cash and cash equivalents	**964,217**	1,314,457
Total assets restricted or limited as to use	**$ 1,438,876**	$ 3,111,408

5. Capital Assets:

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

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
Capital assets not being depreciated or amortized					
Land	$ 522,015	$ -	$ -	$ -	**$ 522,015**
Construction in progress	17,072	743,075	-	-	**760,147**
Total capital assets not being depreciated or amortized	539,087	743,075	-	-	**1,282,162**
Capital assets being depreciated or amortized					
Land improvements	1,392,089	28,237	-	-	**1,420,326**
Buildings and improvements	10,502,549	-	-	-	**10,502,549**
Fixed equipment	8,747,554	198,901	-	-	**8,946,455**
Major movable equipment	7,829,280	178,814	(32,391)	-	**7,975,703**
Subscription assets	-	137,041	-	-	**137,041**
Lease right-of-use assets					
Buildings	69,824	-	-	-	**69,824**
Equipment	36,230	-	-	-	**36,230**
Total capital assets being depreciated or amortized	28,577,526	542,993	(32,391)	-	**29,088,128**
Less accumulated depreciation and amortization for					
Land improvements	(981,588)	(67,708)	-	-	**(1,049,296)**
Buildings and improvements	(7,215,197)	(526,286)	-	-	**(7,741,483)**
Fixed equipment	(6,284,649)	(536,147)	-	-	**(6,820,796)**
Major movable equipment	(4,567,004)	(877,680)	32,391	-	**(5,412,293)**
Subscription assets	-	(56,293)	-	-	**(56,293)**
Lease right-of-use assets					
Buildings	(21,057)	(23,126)	-	-	**(44,183)**
Equipment	(9,739)	(10,280)	-	-	**(20,019)**
Total accumulated depreciation and amortization	(19,079,234)	(2,097,520)	32,391	-	**(21,144,363)**
Total capital assets being depreciated or amortized, net	9,498,292	(1,554,527)	-	-	**7,943,765**
Capital assets, net	**$ 10,037,379**	**$ (811,452)**	**$ -**	**$ -**	**$ 9,225,927**

Construction in progress as of December 31, 2023, consisted of purchases relating to a kitchen remodel, and the replacement of a chiller. No additional significant costs related to the kitchen remodel remain as of December 31, 2023. The estimated remaining cost to complete the chiller replacement is $80,000. The kitchen remodel was placed into service in January 2024. The estimated date of completion for the chiller is unable to be determined at this time.

5. Capital Assets (continued):

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

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
Capital assets not being depreciated or amortized					
Land	$ 522,015	$ -	$ -	$ -	**$ 522,015**
Construction in progress	746,939	134,320	-	(864,187)	**17,072**
Total capital assets not being depreciated or amortized	1,268,954	134,320	-	(864,187)	**539,087**
Capital assets being depreciated or amortized					
Land improvements	1,367,240	24,849	-	-	**1,392,089**
Buildings and improvements	10,502,549	-	-	-	**10,502,549**
Fixed equipment	8,682,687	64,867	-	-	**8,747,554**
Major movable equipment	6,939,230	233,127	(207,264)	864,187	**7,829,280**
Lease right-of-use assets					
Buildings	-	69,824	-	-	**69,824**
Equipment	-	36,230	-	-	**36,230**
Total capital assets being depreciated or amortized	27,491,706	428,897	(207,264)	864,187	**28,577,526**
Less accumulated depreciation and amortization for					
Land improvements	(890,550)	(91,038)	-	-	**(981,588)**
Buildings and improvements	(6,688,910)	(526,287)	-	-	**(7,215,197)**
Fixed equipment	(5,753,135)	(531,514)	-	-	**(6,284,649)**
Major movable equipment	(4,021,191)	(752,379)	206,566	-	**(4,567,004)**
Lease right-of-use assets					
Buildings	-	(21,057)	-	-	**(21,057)**
Equipment	-	(9,739)	-	-	**(9,739)**
Total accumulated depreciation and amortization	(17,353,786)	(1,932,014)	206,566	-	**(19,079,234)**
Total capital assets being depreciated or amortized, net	10,137,920	(1,503,117)	(698)	864,187	**9,498,292**
Capital assets, net	**$ 11,406,874**	**$ (1,368,797)**	**$ (698)**	**$ -**	**$ 10,037,379**

6. Long-term Debt, Lease, and Subscription Liabilities:

A schedule of changes in long-term debt, lease, and subscription liabilities follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Long-term debt					
Parking lot note	$ 214,688	$ -	$ (7,195)	$ 207,493	$ 7,670
2017 UTGO bonds	5,545,000	-	(524,000)	5,021,000	561,000
2017 LTGO bonds	4,655,000	-	(215,000)	4,440,000	225,000
2017 LTGO bond premium	89,106	-	(5,613)	83,493	-
Total long-term debt	10,503,794	-	(751,808)	9,751,986	793,670
Subscription liabilities	-	137,041	(77,096)	59,945	46,906
Lease liabilities	75,258	-	(33,406)	41,852	36,493
Total other noncurrent liabilities	75,258	137,041	(110,502)	101,797	83,399
Total long-term debt and other noncurrent liabilities	**$ 10,579,052**	**$ 137,041**	**$ (862,310)**	**$ 9,853,783**	**$ 877,069**

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Long-term debt					
Parking lot note	$ 221,348	$ -	$ (6,660)	$ 214,688	$ 7,195
2017 UTGO bonds	6,020,000	-	(475,000)	5,545,000	524,000
2017 LTGO bonds	4,860,000	-	(205,000)	4,655,000	215,000
2017 LTGO bond premium	94,719	-	(5,613)	89,106	-
Total long-term debt	11,196,067	-	(692,273)	10,503,794	746,195
Lease liabilities	-	106,054	(30,796)	75,258	33,406
Total long-term debt and lease liabilities noncurrent liabilities	**$ 11,196,067**	**$ 106,054**	**$ (723,069)**	**$ 10,579,052**	**$ 779,601**

Long-term debt – The terms and due dates of the District's long-term debt and other noncurrent liabilities are as follows:

- Unlimited Tax General Obligation (UTGO) Bonds, Series 2017 – The District issued UTGO bonds, dated August 15, 2017, with a face amount of $7,889,000. The bonds were issued to advance refund the District's UTGO bonds dated December 6, 2005 and November 1, 2006. The UTGO bonds are general obligations of the District and are secured by an irrevocable pledge by the District to levy and collect taxes each year sufficient to pay the bond principal and interest payments when due. Through 2030, annual principal installments ranging from $561,000 to $884,000 are required, plus semiannual interest payments payable June 1 and December 1, at 2.68 percent. Scheduled maturities on and after June 1, 2027, are subject to redemption at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption.

6. Long-term Debt, Lease, and Subscription Liabilities (continued):

Long-term debt (continued) –

- Limited Tax General Obligation (LTGO) Bonds, Series 2017 – The District issued LTGO bonds, dated November 16, 2017, with a face amount of $5,475,000. The bonds were issued at a premium, with net proceeds of $5,590,981. The Bonds were issued to advance refund the District's LTGO bonds dated April 1, 2009. The LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a maintenance and operations tax upon the taxable property of the District. Interest is payable June 1 and December 1, at rates that range from 2.00 percent to 4.00 percent. The bonds mature in principal installments ranging between $225,000 and $380,000 through 2038.

- Note payable – Parking lot note payable dated October 31, 2009, in the original amount of $274,300. The debt service is payable in varying monthly principal installments through 2038, plus interest at a rate of 7.75 percent.

Lease liabilities – The District has recorded lease liabilities for the following arrangements:

- Lease liability dated January 2023 in the original amount of $69,824 for the use of rental apartments. The lease is due in monthly installments including principal and interest of $2,200 per month for the period of January 2024 through December 2024.

- Various additional leases with effective dates ranging between May 2020 and July 2020, with original amounts ranging from $17,452 to $32,657 and an aggregate original amount of $50,109 for various medical equipment. The leases are due in monthly installments including principal and interest of between $333 and $623, at an interest rate of 5.42 percent.

The District's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Subscription liabilities – The District has recorded subscription liabilities for various subscriptions, due in annual installments including principal and interest between $13,948 and $37,132, at an interest rate of 6.75 percent, through May 2025.

6. Long-term Debt, Lease, and Subscription Liabilities (continued):

Scheduled principal and interest repayments on long-term debt and lease liabilities are as follows:

Years Ending December 31,	UTGO Bonds Payable Principal	UTGO Bonds Payable Interest
2024	$ 561,000	$ 134,563
2025	612,000	119,528
2026	662,000	103,126
2027	715,000	85,385
2028	766,000	66,223
2029-2030	1,705,000	69,385
	$ 5,021,000	**$ 578,210**

Years Ending December 31,	Other Long-term Debt Principal	Other Long-term Debt Interest
2024	$ 232,670	$ 185,274
2025	238,286	175,658
2026	248,952	165,792
2027	264,671	155,473
2028	270,447	144,496
2029-2033	1,536,255	546,621
2034-2038	1,856,212	223,260
	$ 4,647,493	**$ 1,596,574**

Years Ending December 31,	Lease Liabilities Principal	Lease Liabilities Interest
2024	$ 36,493	$ 1,371
2025	5,359	83
	$ 41,852	**$ 1,454**

Years Ending December 31,	Subscription Liabilities Principal	Subscription Liabilities Interest
2024	$ 46,906	$ 4,174
2025	13,039	908
	$ 59,945	**$ 5,082**

7. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have increased from the prior year due to an increase in self-pay patients seen.

Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources is as follows:

	2023	**2022**
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 9,639,463**	$ 10,179,489
Medicaid	**2,920,257**	2,033,415
Other third-party payors	**12,952,565**	9,737,529
Patients	**1,336,033**	881,406
340B contract pharmacy	**413,870**	332,264
	27,262,188	23,164,103
Less:		
Charity care	**822,757**	355,829
Provision for bad debts	**1,036,928**	563,432
Net patient service revenue	**$ 25,402,503**	$ 22,244,842

7. Net Patient Service Revenue (continued):

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

- ***Medicare*** **–** The District is licensed as a critical access hospital and the clinic as a rural health clinic (RHC) by Medicare and is reimbursed for most inpatient, outpatient, and clinic services at cost, with final settlement determined after submission of annual cost reports by the District subject to audits thereof by the Medicare administrative contractor. Medicare physician services other than RHC services are reimbursed on a fee schedule.

- ***Medicaid*** **–** The majority of Medicaid beneficiaries are covered through health maintenance organizations operated by commercial insurance companies. The District is reimbursed for inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses for the District.

The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedule, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased by approximately $-0- and $4,000 for the years ended December 31, 2023 and 2022, respectively, due to differences between original estimates and final settlements.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients were approximately $500,000 and $142,000 for the years ended December 31, 2023 and 2022, respectively.

8. Electronic Health Records Incentive Payments:

In 2017, Medicaid began an audit of its incentive payments to hospitals. The District has accrued a liability for $741,000, the amount due to Medicaid. The overpayment was a result of a miscalculation by the state of Washington during calculation of the determination of the Medicaid incentive payments.

9. Property Taxes:

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

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

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

For 2023, the District’s regular tax levy was approximately $0.139 per $1,000 on a total assessed valuation of $4,684,137,377, for a total regular levy of $649,181. The District’s Emergency Medical Services (EMS) tax levy was $0.388 per $1,000 on a total assessed valuation of $4,684,137,377, for a total EMS tax levy of $1,815,972. The District’s bond levy was approximately $0.143 per $1,000 on a total assessed valuation of $4,646,492,776, for a total bond levy of $663,770.

For 2022, the District’s regular tax levy was approximately $0.169 per $1,000 on a total assessed valuation of $3,746,865,548, for a total regular levy of $634,866. The District’s Emergency Medical Services (EMS) tax levy was $0.476 per $1,000 on a total assessed valuation of $3,746,865,548, for a total EMS tax levy of $1,783,161. The District’s bond levy was approximately $0.171 per $1,000 on a total assessed valuation of $3,709,615,969, for a total bond levy of $632,771.

In 2020, the EMS was under-levied by $382,893, which was paid to the District over three years, beginning with the year ended December 31, 2021. The amount was paid via an increased EMS levy rate. The balance of the EMS receivable was paid to the District as of the fiscal year ended December 31, 2023.

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

10. Retirement Plans:

The District sponsors the Cascade Medical Center 403(b) Retirement Plan (the 403(b) Plan). The plan is a deferred compensation retirement plan administered by the District. After employees have completed one year of employment, the District makes a contribution match to the 403(b) Plan of up to 3 percent of the employees' gross pay. Employees are 100 percent vested in the contributions they make, and they become fully vested in employer contributions after two years (50 percent per year). Employees make contributions to the 403(b) Plan. District contributions and interest forfeited by employees who leave employment before two years of service are used to reduce the District's current period plan expenses, and any remaining forfeitures are used to reduce the District's current plan contribution requirement. Employee contributions to the 403(b) Plan were approximately $729,000 and $601,000 for the years ended December 31, 2023 and 2022, respectively. Employer pension contributions were approximately $211,000 and $183,000 for the years ended December 31, 2023 and 2022, respectively. Benefit terms, including contribution requirements, are established by and may be amended by the District.

The District also sponsors the Cascade Medical Center Lincoln Retirement 457(b) Governmental Deferred Compensation Plan (the 457(b) Plan). The plan is a deferred compensation retirement plan administered by the District. Employees make contributions to the 457(b) Plan. Employees are 100 percent vested in the contributions they make. Employee contributions to the 457(b) Plan were approximately $293,000 and $256,000 for the years ended December 31, 2023 and 2022, respectively. Benefit terms, including contribution requirements, are established by and may be amended by the District.

11. Other Postemployment Benefits (OPEB):

Plan description – The District provides healthcare programs for employees through the Public Employees Benefits Board (PEBB). Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through the PEBB. The PEBB was created within the Washington State Health Care Authority (HCA) to administer medical, dental, and life insurance plans for public employees and retirees. The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee. No assets are accumulated in a qualifying trust.

The District can cease providing healthcare through the PEBB with a 60-day notice. The other postemployment benefits liability would be eliminated at this time without any cash obligation.

Benefits provided – The District's retirees may elect coverage through state health and dental insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The healthcare premiums for active employees, which are paid by the District during the employees' working careers, subsidize the health and dental plans of retirees.

The subsidies provided by PEBB include the following:

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

11. Other Postemployment Benefits (OPEB) (continued):

Benefits provided (continued) – The explicit subsidies are monthly amounts paid for post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $183 or 50 percent of the monthly premiums. The retirees and spouses currently pay the premiums minus $183 when the premium is over $366 per month and pay half the premium when the premium is lower than $366.

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

Employees covered by the benefit terms – At December 31, 2023 and 2022, the following employees were covered by the benefit terms:

Plan Members	**2023**	**2022**
Inactive employees or beneficiaries currently receiving benefit payments	2	0
Active plan members	131	116
Total members	**133**	**116**

Total OPEB liability – The District's total OPEB liability of $1,074,248 and $1,957,866 were measured as of December 31, 2022 and 2021, respectively, and were determined by actuarial valuations as of July 1, 2022 and 2020, respectively.

11. Other Postemployment Benefits (OPEB) (continued):

Actuarial assumptions and other inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation – 2.35 percent
Salary increases – 3.25 percent average, including inflation
Healthcare cost trend rates – As follows:

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

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

Mortality rates were based on the 2020 actuarial valuation for Washington State Public Employees' Retirement System (PERS), adjusted for Cascade Medical Center. For all healthy members, the PubG.H-2010 base mortality table (with generational mortality adjustments using the long-term MP-2017 generational improvement scale), was utilized.

11. Other Postemployment Benefits (OPEB) (continued):

Actuarial assumptions and other inputs (continued) – The actuarial assumptions used in the December 31, 2023, valuation are based on the results of an actuarial experience study for the period January 1, 2022 through December 31, 2022.

Changes in the total OPEB liability:

	Total OPEB Liability 2023	Total OPEB Liability 2022
Balance, at beginning of year	$ 1,957,866	$ 1,681,574
Service cost	221,640	210,551
Interest	44,859	40,092
Differences between expected and actual experience	(217,599)	-
Changes of assumptions or other inputs	(928,753)	27,622
Benefit payments	(3,765)	(1,973)
Net changes	(883,618)	276,292
Balance, at end of year	$ 1,074,248	$ 1,957,866
Covered-employee payroll	$ 12,411,076	$ 11,157,591
Total OPEB liability as a percentage of covered-employee payroll	9%	18%

Changes of assumptions and other inputs reflect changes in the discount rate from 2.06 percent to 3.72 percent for the year ended December 31, 2023, and 2.12 percent to 2.06 percent for the year ended December 31, 2022.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District, as well as what the District's liability would be if it were calculated using a discount rate that is one percentage point lower (2.72 percent) or one percentage point higher (4.72 percent) than the current discount rate:

2023

	1% Decrease 2.72	Discount Rate 3.72	1% Increase 4.72
Total OPEB liability	$ 1,323,833	$ 1,074,248	$ 878,986

2022

	1% Decrease 1.06	Discount Rate 2.06	1% Increase 3.06
Total OPEB liability	$ 2,466,125	$ 1,957,866	$ 1,568,486

11. Other Postemployment Benefits (OPEB) (continued):

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the District, as well as what the District's liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

2023

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 836,788	$ 1,074,248	$ 1,398,457

2022

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 1,463,952	$ 1,957,866	$ 2,656,889

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended December 31, 2023, the District recognized OPEB expense of $54,560. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	$ 405,924	$ (2,162,423)

2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	$ 463,553	$ (1,286,503)

11. Other Postemployment Benefits (OPEB) (continued):

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB (continued) – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

Years Ending December 31,		
2023	$	(211,939)
2024		(211,939)
2025		(211,939)
2026		(211,939)
2027		(205,091)
Thereafter		(703,652)

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2:

Plan description **–** The District contributes to the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF Plan 2), a cost-sharing, multiple-employer public employee defined benefit retirement plan. The state Legislature establishes and amends laws pertaining to the creation and administration of the LEOFF.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the LEOFF. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

The DRS CAFR may also be downloaded from the DRS website at www.drs.wa.gov.

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

Employee membership data related to the Plan, as of June 30, 2023, the date of the latest valuation, is as follows:

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2 (continued):

Benefits provided – LEOFF Plan 2 provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at age 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF Plan 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the consumer price index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Contributions – The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund LEOFF Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF Plan 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF Plan 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41 percent in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

Actual Contribution Rates	**Employer**	**Employee**
Local government unit	5.12%	8.53%
State of Washington	3.41%	0.00%
Administrative fee	0.18%	0.00%
Total	**8.71%**	**8.53%**

The District's actual contributions to the plan were $61,410 and $55,622 for the years ended December 31, 2023 and 2022, respectively.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ended June 30, 2023, the state contributed $87,966,142 to LEOFF Plan 2. The amount recognized by the District as its proportionate share of this amount is $39,216.

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2 (continued):

Actuarial assumptions – The total pension liability (TPL) for the LEOFF was determined using the actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions applied to all prior periods included in the measurement.

- **Inflation:** 2.75 percent total economic inflation; 3.25 percent salary inflation
- **Salary increases**: In addition to the base 3.25 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00 percent

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

Discount rate – The discount rate used to measure the total pension liability for all DRS plans was 7.00 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, 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 7.00 percent was used to determine the total liability.

Long-term expected rate of return – OSA selected a 7.00 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that proceeded past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of asset the WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2 (continued):

Estimated rates of return by asset class – Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Rate of Return Arithmetic
Fixed income	20%	1.50%
Tangible assets	7%	4.70%
Real estate	18%	5.40%
Global equity	32%	5.90%
Private equity	23%	8.90%
Total	**100%**	

Sensitivity of the net pension asset – The table below presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LEOFF 2	$ (97,999)	$ 591,878	$ 1,156,483

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

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2 (continued):

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2023, the District reported a total pension asset of $591,878 for its proportionate share of the net pension asset.

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the District were as follows:

		LEOFF 2 (Asset)		
		2023		**2022**
Employer's proportionate share	$	(591,878)	$	(730,164)
State's proportionate share of the net pension asset associated with the employer		(377,967)		(472,984)
Total	**$**	**(969,845)**	**$**	**(1,203,148)**

At June 30, the District's proportionate share of the collective net pension assets was as follows:

	Proportionate Share 2023	**Proportionate Share 2022**
LEOFF 2	0.024676%	0.026867%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

In fiscal year 2023, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension asset was measured as of June 30, 2023, and the actuarial valuation date on which the total pension asset is based was as of June 30, 2022, with update procedures used to roll forward the total pension asset to the measurement date.

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2 (continued):

Pension expense – For the years ended December 31, 2023 and 2022, the District recognized pension expense related to LEOFF of $31,296 and $88,130, respectively.

Deferred outflows of resources and deferred inflows of resources – The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 241,765	$ (4,870)
Net difference between projected and actual investment earnings on pension plan investments	-	(125,240)
Changes in assumptions	151,193	(48,618)
Changes in proportion and differences between contributions and proportionate share of contributions	71,101	(232,249)
Contributions subsequent to the measurement date	31,325	-
Total	**$ 495,384**	**$ (410,977)**

2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 173,499	$ (6,774)
Net difference between projected and actual investment earnings on pension plan investments	-	(244,487)
Changes in assumptions	184,971	(63,577)
Changes in proportion and differences between contributions and proportionate share of contributions	16,532	(271,583)
Contributions subsequent to the measurement date	25,611	-
Total	**$ 400,613**	**$ (586,421)**

12. Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System Plan 2 (continued):

Deferred outflows of resources and deferred inflows of resources (continued) – Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as pension expense in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,		
2024	$	(79,928)
2025		(100,152)
2026		78,063
2027		8,844
2028		23,064
Thereafter		123,191

13. Risk Management and Contingencies:

Medical malpractice coverage – The District maintains professional liability coverage with Coverys. The policy provides coverage on a "claims-made" basis, whereby only malpractice claims reported to the insurance carrier during the policy year are covered. If there are unreported incidents which result in a malpractice claim in a subsequent year, such claims will be covered in the year the claim is reported to the insurance carrier only if the District purchases claims-made insurance in that year or if the District purchases "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The current policy provides $1,000,000 per claim of primary and comprehensive coverage with a $5,000,000 annual aggregate limit, plus $2,000,000 of excess coverage with a $2,000,000 annual aggregate limit. There is not a deductible on these policies, nor are there any significant coinsurance clauses.

No liability has been accrued for future coverage of incidents that may have occurred in 2023 or in prior years. It is possible that claims may exceed coverage available in any given year.

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

13. Risk Management and Contingencies (continued):

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

Risk transfer pools – The District has a self-insured unemployment plan for its employees and participates in the Public Hospital District Unemployment Compensation Fund, a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual unemployment claims, maintenance of reserves, and administrative expenses.

Other risks – 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 resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

14. Concentrations of Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors follows:

	2023	**2022**
Medicare	**33 %**	29 %
Medicaid	**7**	5
Other third-party payors	**28**	33
Patients	**32**	33
	100 %	100 %

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

Collective bargaining unit – The District has two agreements with labor unions. Effective October 1, 2023, the District renewed the collective bargaining agreement with the Washington State Nurses Association. The contract is effective through September 30, 2026. As of December 31, 2023 and 2022, approximately 22 percent and 36 percent, respectively, of the District's employees were represented by this union under the collective bargaining agreement. Effective April 1, 2021, the District renewed the collective bargaining agreement with the International Association of Fire Fighters for the District's paramedics. The contract is effective through March 31, 2024. As of December 31, 2023 and 2022, approximately 10 percent of the District's employees were represented by this union under the collective bargaining agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Changes in the District's Total Other Post Employment Benefits (OPEB) Liability and Related Ratios
Years Ended December 31, 2023 and 2022

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	$ 221,640	$ 210,551	$ 165,749	$ 121,787	$ 273,557	$ 238,466	$ 244,526
Interest on total OPEB liability	44,859	40,092	45,314	47,715	91,180	80,035	68,087
Changes in benefit terms	-	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(217,599)	-	(76,101)	-	118,746	-	-
Effect of assumptions changes or other inputs	(928,753)	27,622	60,513	279,472	(1,815,512)	182,318	(95,824)
Expected benefit payments	(3,765)	(1,973)	(3,869)	(1,998)	(3,997)	(1,264)	-
Net change in total OPEB liability	(883,618)	276,292	191,606	446,976	(1,336,026)	499,555	216,789
Total OPEB liability – beginning	1,957,866	1,681,574	1,489,968	1,042,992	2,379,018	1,879,463	1,662,674
Total OPEB liability – ending	$ 1,074,248	$ 1,957,866	$ 1,681,574	$ 1,489,968	$ 1,042,992	$ 2,379,018	$ 1,879,463
Covered-employee payroll	$ 12,411,076	$ 11,157,591	$ 11,181,912	$ 9,613,141	$ 8,964,480	$ 7,762,193	$ 7,171,084
Total OPEB liability as a percentage of covered-employee payroll	9%	18%	15%	15%	12%	31%	26%

Notes to Schedule:

Changes in benefit terms – There are no changes in benefit terms.

Changes in assumptions **–** Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic, and health assumptions each period. Beginning with fiscal year ended December 31, 2021, the Medicare contribution trend reflects the January 1, 2021, Medicare explicit subsidy increase to $183 per month. The exclusion of the excise tax for high cost or "Cadillac" health plans and the Health Insurer fee from 2021 onwards was first reflected in fiscal year ended December 31, 2020, since the December 20, 2019, enactment of H.R. 1865 is between the December 31, 2018 and December 31, 2019, measurement date.

*GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Proportionate Share of the Net Pension Asset
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
Years Ended December 31, 2023 and 2022

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net pension asset	0.0246760%	0.0268670%	0.0219370%	0.0223820%	0.0231600%	0.0210900%
Employer's proportionate share of the net pension asset	$ 591,878	$ 730,164	$ 1,274,192	$ 456,560	$ 536,546	$ 428,173
State's proportionate share of the net pension asset associated with the employer	377,967	472,984	821,993	291,936	351,366	277,234
Total	$ 969,845	$ 1,203,148	$ 2,096,185	$ 748,496	$ 887,912	$ 705,407
Covered payroll	$ 1,199,421	$ 1,046,339	$ 956,453	$ 888,262	$ 826,695	$ 811,960
Employer's proportionate share of the net pension asset as a percentage of covered payroll	49.35%	69.78%	133.22%	51.40%	64.90%	52.73%
Plan fiduciary net position as a percentage of the total pension asset	113.17%	116.00%	142.00%	116.00%	119.00%	118.50%

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

Data reported is measured as of December 31 of each year reported.

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
Years Ended December 31, 2023 and 2022

	2023	2022	2021	2020	2019	2018
Statutorily or contractually required contributions	$ 61,410	$ 55,622	$ 49,108	$ 47,503	$ 44,500	$ 44,091
Contributions in relation to the statutorily or contractually required contributions	(61,410)	(55,622)	(49,108)	(47,503)	(44,500)	(44,091)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,199,421	$ 1,046,339	$ 956,453	$ 888,262	$ 826,695	$ 811,960
Contributions as a percentage of covered payroll	5%	5%	5%	5%	5%	5%

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

Data reported is measured as of December 31 of each year reported.

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

Board of Commissioners
Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Leavenworth, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Chelan County Public Hospital District No. 1 doing business as Cascade Medical Center (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 4, 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that 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, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

DZA PLLC

Spokane Valley, Washington
June 4, 2024

Chelan County Public Hospital District No. 1
doing business as Cascade Medical Center
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

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