



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

December 26, 2024

Board of Commissioners
Columbia Basin Hospital
Ephrata, 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 Columbia Basin 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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Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital

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

December 31, 2023 and 2022

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Ephrata, Washington

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 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 October 20, 2023, which has not been included with the 2023 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

D3A PLLC

Spokane Valley, Washington
August 13, 2024

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Net Position
December 31, 2023 and 2022

ASSETS	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,063,916	\$ 2,818,223
Receivables:		
Patient accounts	3,507,546	3,526,355
Taxes	17,079	13,941
Estimated third-party payor settlements	751,385	884,000
Inventories	262,627	199,688
Prepaid expenses	521,965	843,015
Cash and cash equivalents limited as to use	608,910	510,070
Taxes receivable limited as to use	34,832	29,364
Total current assets	7,768,260	8,824,656
<i>Noncurrent assets</i>		
Cash and cash equivalents limited as to use	5,906,523	7,180,627
Capital assets, net of accumulated depreciation and amortization	14,746,182	15,515,231
Total noncurrent assets	20,652,705	22,695,858
Total assets	\$ 28,420,965	\$ 31,520,514

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Net Position (Continued)
December 31, 2023 and 2022

LIABILITIES AND NET POSITION	2023	2022
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 733,810	\$ 687,767
Current maturities of lease liabilities	52,674	49,379
Accounts payable	532,067	482,760
Capital accounts payable	-	335,307
Accrued compensation and related liabilities	372,697	422,639
Accrued vacation	504,623	483,602
Accrued interest payable	56,057	62,505
Total current liabilities	2,251,928	2,523,959
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	13,031,478	13,763,287
Lease liabilities, less current maturities	21,638	71,424
Total noncurrent liabilities	13,053,116	13,834,711
Total liabilities	15,305,044	16,358,670
<i>Net position</i>		
Net investment in capital assets	850,525	545,562
Restricted for debt service	643,742	539,434
Unrestricted	11,621,654	14,076,848
Total net position	13,115,921	15,161,844
Total liabilities and net position	\$ 28,420,965	\$ 31,520,514

See accompanying notes to basic financial statements.

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

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 20,726,298	\$ 20,876,798
340B contract pharmacies	658,083	229,862
Grants	72,213	7,423
Other	100,354	149,452
Total operating revenues	21,556,948	21,263,535
<i>Operating expenses</i>		
Salaries and wages	11,454,792	10,078,825
Employee benefits	2,394,993	2,179,243
Professional fees	4,421,030	4,658,852
Supplies	1,917,420	1,761,817
Utilities	200,681	202,059
Purchased services	2,089,811	1,970,623
Insurance	204,692	273,595
Leases and rentals	24,608	45,000
Depreciation and amortization	1,777,918	1,833,944
Other	364,777	467,463
Total operating expenses	24,850,722	23,471,421
Operating loss	(3,293,774)	(2,207,886)
<i>Nonoperating revenues</i>		
Taxation for bond principal and interest	1,124,220	1,124,550
Taxation for maintenance and operations	607,249	558,409
Interest income	195,742	128,924
Interest expense	(679,360)	(715,285)
Donations	-	37,500
Total nonoperating revenues, net	1,247,851	1,134,098
Change in net position	(2,045,923)	(1,073,788)
Net position, beginning of year	15,161,844	16,235,632
Net position, end of year	\$ 13,115,921	\$ 15,161,844

See accompanying notes to basic financial statements.

Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 20,877,722	\$ 18,902,107
Receipts from 340B contract pharmacies	658,083	260,546
Receipts from grants	72,213	7,423
Other receipts	100,354	149,452
Payments to and on behalf of employees	(13,878,706)	(12,419,238)
Payments to suppliers and contractors	(8,915,601)	(9,100,252)
Net cash from operating activities	(1,085,935)	(2,199,962)
<i>Cash flows from noncapital financing activities</i>		
Taxation for maintenance and operations	604,111	557,479
Noncapital contributions	-	37,500
Net cash from noncapital financing activities	604,111	594,979
<i>Cash flows from capital and related financing activities</i>		
Taxation for bond principal and interest	1,118,752	1,122,736
Principal paid on long-term debt and lease liabilities	(732,257)	(679,566)
Interest paid on long-term debt and lease liabilities	(685,808)	(717,179)
Purchase of capital assets	(1,344,176)	(865,650)
Net cash from capital and related financing activities	(1,643,489)	(1,139,659)
<i>Cash flows from investing activities</i>		
Interest received	195,742	128,924
Net change in cash and cash equivalents	(1,929,571)	(2,615,718)
Cash and cash equivalents, beginning of year	10,508,920	13,124,638
Cash and cash equivalents, end of year	\$ 8,579,349	\$ 10,508,920

See accompanying notes to basic financial statements.

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

	2023	2022
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 2,063,916	\$ 2,818,223
Cash and cash equivalents limited as to use in current assets	608,910	510,070
Cash and cash equivalents limited as to use in noncurrent assets	5,906,523	7,180,627
Total cash and cash equivalents	\$ 8,579,349	\$ 10,508,920
<i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i>		
Operating loss	\$ (3,293,774)	\$ (2,207,886)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	1,777,918	1,833,944
Provision for bad debts	1,274,209	752,877
(Increase) decrease in assets:		
Patient accounts receivable	(1,255,400)	(1,955,841)
Estimated third-party payor settlements	132,615	(609,067)
Other receivables	-	30,684
Inventories	(62,939)	(49,801)
Prepaid expenses	321,050	442,822
Increase (decrease) in liabilities:		
Accounts payable	49,307	(113,864)
Estimated third-party payor settlements	-	(162,660)
Accrued compensation and related liabilities	(49,942)	(1,056)
Accrued vacation	21,021	(160,114)
Net cash from operating activities	\$ (1,085,935)	\$ (2,199,962)

See accompanying notes to basic financial statements.

**Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Notes to Basic Financial Statements
Years Ended December 31, 2023 and 2022**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Grant County Public Hospital District No. 3 (the District) owns and operates Columbia Basin Hospital, a 25-bed hospital and a 12-bed nursing home; Columbia Basin Family Medicine, a Medicare certified rural health clinic; and Garden Oasis Assisted Living, a 32-unit assisted living facility. The District provides healthcare services to patients in the Ephrata, Washington, area. The services provided include acute care hospital, long-term nursing care, assisted living, emergency room, physicians' clinic, and the related ancillary procedures (laboratory, imaging, therapy, etc.) associated with those services.

The District operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from payment of federal income tax. The Board of Commissioners consists of five community members elected to six-year terms.

Related organization – The Columbia Basin Hospital Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the District. The Foundation is not material to the District and is therefore not reported as a component unit of the District.

Complete financial statements for the Foundation can be obtained from the Columbia Basin Hospital Foundation, 200 Nat Washington Way, Ephrata, Washington 98823.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Cash and cash equivalents – Electronic funds transfer (EFT) cash receipts are deposited to the District's depository account at a bank. Periodically, such cash is transferred to the Grant County Treasurer (Treasurer) who acts as the District Treasurer. Non-EFT cash receipts are deposited directly to the Treasurer. Warrants are issued by the District against the cash placed with the Treasurer. The 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.

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

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

b. Summary of Significant Accounting Policies (continued)

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

Prepaid expenses – Prepaid expenses primarily represent implementation costs of a cloud-based electronic health records system. These costs are being amortized over the term of the service agreement, which is five years.

Assets limited as to use – Assets limited as to use primarily include certain cash and other assets limited under debt indentures and by the Board of Commissioners for future bond principal and interest payments and for future capital improvements, over which the Board retains control and could subsequently use for other purposes.

Capital assets – The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses as incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method. Assets under lease are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense. Useful lives have been estimated as follows:

Land improvements	8 to 20 years
Buildings and improvements	2 to 40 years
Equipment	2 to 25 years
Leased right-of-use equipment	5 to 6 years

Compensated absences – The District’s policy is to permit employees to accumulate earned but unused paid time off and holiday benefits up to a maximum of one and a half times their annual accrual. All paid time off and holiday benefits are accrued and expensed when earned. The District permits full-time and part-time employees to accumulate paid sick leave benefits based on hours worked in accordance with state law. All sick leave is expensed when taken. The District also provides paid sick leave, in accordance with Washington State law, to all non-benefited employees (per diems, temps). The District also provides employer paid short-term disability.

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*.

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

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

b. Summary of Significant Accounting Policies (continued)

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

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

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

Change in accounting principles – 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 District adopted Statement No. 96 during the year ended December 31, 2023. The implementation of Statement No. 96 had no effect on the District’s financial statements.

Subsequent events – Subsequent events have been reviewed through August 13, 2024, the date on which the financial statements were available to be issued.

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

2. Bank Deposits and Investments:

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 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 invested in the Grant County Investment Pool at December 31, 2023 and 2022, were \$7,967,720 and \$10,313,814, respectively. The Grant County Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

Investments in the Grant County Local Government Investment Pool are reported at fair value based on the net asset value per share. The Grant County Local Government Investment Pool's investment strategy is to invest in treasury securities with staggering maturity dates. Investments generally may be redeemed with no waiting period with proper notice to the Treasurer.

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

3. Patient Accounts Receivable:

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

The District's allowance for uncollectible accounts for self-pay patients did not change 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	\$ 1,867,591	\$ 1,235,001
Receivables from Medicare	1,495,223	1,425,250
Receivables from Medicaid	1,097,732	1,513,104
Total patient accounts receivable	4,460,546	4,173,355
Less allowance for uncollectible accounts	953,000	647,000
Patient accounts receivable, net	\$ 3,507,546	\$ 3,526,355

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

4. Property Taxes:

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

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

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

The District's regular tax levy was \$0.39 per \$1,000 in 2023 and \$0.44 per \$1,000 in 2022, on a total assessed valuation of \$1,395,920,018 and \$1,231,111,147 in 2023 and 2022, respectively, for a total regular levy of \$551,226 and \$542,680 in 2023 and 2022, respectively.

The District's bond levy was \$0.80 per \$1,000 in 2023 and \$0.93 per \$1,000 in 2022 on a total assessed valuation of \$1,395,920,018 and \$1,231,111,147 in 2023 and 2022, respectively, for a total bond levy of \$1,102,951 and \$1,128,658 in 2023 and 2022, respectively.

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.

5. Assets Limited as to Use:

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

	2023	2022
<i>Current assets</i>		
Under bond agreement for bond principal and interest payment:		
Cash and cash equivalents	\$ 608,910	\$ 510,070
Taxes receivable	34,832	29,364
Total current assets	643,742	539,434
<i>Noncurrent assets</i>		
Internally designated by Board for capital additions and replacements, cash and cash equivalents	5,906,523	7,180,627
Total assets limited as to use	\$ 6,550,265	\$ 7,720,061

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

6. Capital Assets:

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

	Balance December 31,				Balance December 31,
	2022	Additions	Retirements	Transfers	2023
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 99,457	\$ -	\$ -	\$ -	\$ 99,457
Construction in progress	630,623	891,550	-	(541,195)	980,978
Total capital assets not being depreciated or amortized	730,080	891,550	-	(541,195)	1,080,435
<i>Capital assets being depreciated or amortized</i>					
Land improvements	384,512	-	-	-	384,512
Buildings and improvements	24,710,566	27,330	-	-	24,737,896
Equipment	9,278,683	89,989	-	541,195	9,909,867
Leased right-of-use equipment	253,117	-	-	-	253,117
Total capital assets being depreciated or amortized	34,626,878	117,319	-	541,195	35,285,392
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	190,744	30,570	-	-	221,314
Buildings and improvements	13,190,477	987,070	-	-	14,177,547
Equipment	6,302,308	713,982	-	-	7,016,290
Leased right-of-use equipment	158,198	46,296	-	-	204,494
Total accumulated depreciation and amortization	19,841,727	1,777,918	-	-	21,619,645
<i>Total capital assets being depreciated or amortized, net</i>	14,785,151	(1,660,599)	-	541,195	13,665,747
Capital assets, net	\$ 15,515,231	\$ (769,049)	\$ -	\$ -	\$ 14,746,182

Construction in progress at December 31, 2023, consisted primarily of an emergency room remodel, which is estimated to be completed in April 2025 with approximately \$2,426,000 of additional costs to complete, funded through the District's cash reserves.

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

6. Capital Assets (continued):

	Balance December 31, 2021		Additions	Retirements	Transfers	Balance December 31, 2022	
<i>Capital assets not being depreciated</i>							
Land	\$	99,457	\$	-	\$	-	\$ 99,457
Construction in progress		29,114		601,509		-	630,623
Total capital assets not being depreciated		128,571		601,509		-	730,080
<i>Capital assets being depreciated</i>							
Land improvements		323,239		61,273		-	384,512
Buildings and improvements		24,474,026		236,540		-	24,710,566
Equipment		9,244,165		287,635		(253,117)	9,278,683
Leased right-of-use equipment		-		-		253,117	253,117
Total capital assets being depreciated		34,041,430		585,448		-	34,626,878
<i>Less accumulated depreciation for</i>							
Land improvements		144,122		46,622		-	190,744
Buildings and improvements		12,201,003		989,474		-	13,190,477
Equipment		5,662,658		797,848		(158,198)	6,302,308
Leased right-of-use equipment		-		-		158,198	158,198
Total accumulated depreciation		18,007,783		1,833,944		-	19,841,727
<i>Total capital assets being depreciated, net</i>		16,033,647		(1,248,496)		-	14,785,151
Capital assets, net	\$	16,162,218	\$	(646,987)	\$	-	\$ 15,515,231

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

7. Long-term Debt and Lease Liabilities:

Schedules of changes in the District's long-term debt and lease liabilities follows:

	Balance December 31, 2022			Additions	Reductions	Balance December 31, 2023		Amounts Due Within One Year		
<i>Long-term debt</i>										
2012 UTGO Bonds	\$	10,990,000	\$	-	\$	(425,000)	\$	10,565,000	\$	465,000
2012 UTGO Bonds Premium		334,746		-		(22,823)		311,923		22,824
2017 LTGO Bonds		3,126,308		-		(237,943)		2,888,365		245,986
Total long-term debt		14,451,054		-		(685,766)		13,765,288		733,810
<i>Lease liabilities</i>										
Pharmacy equipment		65,532		-		(25,272)		40,260		26,504
Laboratory equipment		55,271		-		(21,219)		34,052		26,170
Total lease liabilities		120,803		-		(46,491)		74,312		52,674
Total long-term debt and lease liabilities	\$	14,571,857	\$	-	\$	(732,257)	\$	13,839,600	\$	786,484

	Balance December 31, 2021			Additions	Reductions	Balance December 31, 2022		Amounts Due Within One Year		
<i>Long-term debt</i>										
2012 UTGO Bonds	\$	11,375,000	\$	-	\$	(385,000)	\$	10,990,000	\$	425,000
2012 UTGO Bonds Premium		357,569		-		(22,823)		334,746		22,824
2017 LTGO Bonds		3,354,388		-		(228,080)		3,126,308		239,943
Total long-term debt		15,086,957		-		(635,903)		14,451,054		687,767
<i>Lease liabilities</i>										
Pharmacy equipment		87,399		-		(21,867)		65,532		25,214
Laboratory equipment		77,067		-		(21,796)		55,271		24,165
Total lease liabilities		164,466		-		(43,663)		120,803		49,379
Total long-term debt and lease liabilities	\$	15,251,423	\$	-	\$	(679,566)	\$	14,571,857	\$	737,146

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

- **Limited tax general obligation bonds** – The District issued limited tax general obligation (LTGO) bonds on August 31, 2017, in the original amount not to exceed \$4,000,000 to finance construction and renovation of the District's facilities. The 2017 limited tax general obligation bonds are payable semiannually on December 1 and June 1, in principal installments from \$245,986 in 2024 to \$335,541 in 2033, with semiannual interest at 3.42 percent payable June 1 and December 1 of each year.

Financial covenants for the LTGO bonds require the District to maintain a debt service coverage ratio of at least 1.25. The District did not meet this requirement for 2023 or 2022.

All 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 within the District.

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

7. Long-term Debt and Lease Liabilities (continued):

- ***Unlimited tax general obligation bonds*** – The District issued unlimited tax general obligation (UTGO) bonds on August 30, 2012, in the original amount of \$13,000,000 to finance renovation and construction of an addition to the District’s facilities. The 2012 UTGO bonds are payable annually on December 1, in varying principal installments from \$465,000 in 2024 to \$1,250,000 in 2036, with annual interest at 5.5 percent payable December 1 of each year.

The District is required to levy and collect sufficient taxes each year to pay the bond principal and interest payments due. The UTGO bonds are direct and general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District. The voters of the District approved the 2012 bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

- ***Lease liabilities*** – The pharmacy equipment lease was renewed in July 2020 for five years with an original capitalized cost of \$123,277. The lease payments are due monthly in the amount of \$2,326, including imputed interest at 5 percent, collateralized by the pharmacy equipment.

The laboratory equipment lease was entered into during 2018 for six years with an original capitalized cost of \$129,840. The lease payments are due monthly in the amount of \$2,292 through January 2025, including imputed interest at 8 percent, collateralized by the laboratory equipment.

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

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

7. Long-term Debt and Lease Liabilities (continued):

Scheduled principal and interest repayments on the District's 2012 UTGO bonds are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 465,000	\$ 572,250	\$ 1,037,250
2025	510,000	547,838	1,057,838
2026	560,000	521,063	1,081,063
2027	610,000	491,663	1,101,663
2028	665,000	459,638	1,124,638
2029 to 2033	4,270,000	1,698,800	5,968,800
2034 to 2036	3,485,000	392,975	3,877,975
	\$ 10,565,000	\$ 4,684,227	\$ 15,249,227

Scheduled principal and interest repayments on the District's 2017 LTGO bonds and lease liabilities are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 298,660	\$ 101,050	\$ 399,710
2025	276,507	89,642	366,149
2026	263,783	80,512	344,295
2027	273,009	71,286	344,295
2028	282,379	61,916	344,295
2029 to 2033	1,568,339	215,369	1,783,708
	\$ 2,962,677	\$ 619,775	\$ 3,582,452

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

8. 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 increased during 2023 due to increased efforts to clean up old patient accounts. The District has not changed its charity care or uninsured discount policies during 2023 or 2022. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2023	2022
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 6,768,148	\$ 8,051,973
Medicaid	4,851,066	5,224,223
Patients	1,620,357	1,857,971
Other third-party payors	8,810,282	5,874,511
ProShare	181,842	730,717
	22,231,695	21,739,395
Less:		
Charity care	231,188	109,720
Provision for bad debts	1,274,209	752,877
Net patient service revenue	\$ 20,726,298	\$ 20,876,798

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

8. Net Patient Service Revenue (continued):

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

- *Medicare* – The hospital has been designated a critical access hospital and the clinic a rural health clinic by Medicare and they are reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The Medicare program’s administrative procedures preclude final determination of amounts due to the District for such services until three years after the District’s cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor. Nonrural health clinic physician 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 of the District. Reimbursement for inpatient and outpatient services rendered to Medicaid program beneficiaries is reimbursed on a cost basis as defined by the state of Washington. Medicaid swing-bed and nursing home services are reimbursed on a prospectively set rate per day. Rural health clinic services are reimbursed on a prospective rate per visit. Nonrural health clinic physician services are reimbursed on a fee schedule.
- *Other* – The hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedule, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$71,000 and \$199,000 in the years ended December 31, 2023 and 2022, respectively, due to differences between original estimates and final settlements.

The District received approximately \$182,000 and \$730,000 of Nursing Facility Proportionate Share Program (ProShare) funds during 2023 and 2022, respectively, from the state of Washington to provide services to Medicaid eligible nursing home patients.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District’s policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2023 and 2022, were \$204,000 and \$99,000, respectively. The District did not receive any gifts or grants to subsidize charity care services during 2023 or 2022.

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

9. Defined Contribution Plan:

The District provides pension benefits for all of its full-time employees who have attained age 20 and who have completed one year of service through the Columbia Basin Hospital Employees' Pension Plan (the defined contribution plan), under Section 401(a) of the Internal Revenue Code. This plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the District to the plan plus investment earnings.

Employees are eligible to participate after one year of service if they agree to contribute at least 3 percent of their compensation to the deferred compensation plan. The District contributes to the defined contribution fund a discretionary percentage of employee contributions to the deferred compensation plan.

The District also pays an additional 0.1 percent of compensation for each year of service. The contributions are vested at 20 percent after one year of service with graduated increases until vesting reaches 100 percent after five years of service. District contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the District's current period contribution requirement. The District made the required contributions of approximately \$410,000 and \$374,000 for 2023 and 2022, respectively, to the defined contribution plan.

Benefit terms including contribution requirements are established and may be amended by the District.

In addition to the defined contribution plan described above, the District provides the Columbia Basin Hospital Tax-Deferred Compensation Plan (the deferred compensation plan) to substantially all employees under Section 457 of the Internal Revenue Code. The deferred compensation plan is funded solely from employee contributions. This plan is administered by the District. Plan participants contributed approximately \$584,000 and \$389,000 in 2023 and 2022, respectively, to the deferred compensation plan.

Benefit terms including contribution requirements are established and may be amended by the District.

10. Contingencies:

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

Risk transfer pools – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust and for workers' compensation benefits through the Public Hospital District Workers' Compensation Trust. Both trusts are risk transfer pools administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation and unemployment claims, maintenance of reserves, and administrative expenses. Premiums are charged to operations as they are incurred. Total unemployment insurance expense was approximately \$45,000 and \$59,000 in 2023 and 2022, respectively, and total workers' compensation benefits expense was approximately \$116,000 and \$123,000 in 2023 and 2022, respectively.

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

10. Contingencies (continued):

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

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

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

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

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

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

11. Concentration of Risk:

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

The mix of receivables from patients was as follows:

	2023	2022
Medicare	27 %	26 %
Medicaid	21	29
Other third-party payors	31	31
Patients	21	14
	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.



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
Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Ephrata, 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 Grant County Public Hospital District No. 3 doing business as Columbia Basin Hospital (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 August 13, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

D3A PLLC

Spokane Valley, Washington
August 13, 2024

**Grant County Public Hospital District No. 3
doing business as Columbia Basin Hospital
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2023**

2022-001 Provider Relief Fund Reporting of Lost Revenues

Status: Resolved