



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

February 10, 2025

Board of Commissioners  
Newport Hospital and Health Services  
Newport, Washington

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

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

# **Pend Oreille County Public Hospital District No. 1 doing business as Newport Hospital and Health Services**

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

December 31, 2023 and 2022

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Pend Oreille County Public Hospital District No. 1  
doing business as Newport Hospital and Health Services  
Newport, Washington

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Pend Oreille County Public Hospital District No. 1 doing business as Newport Hospital and Health Services (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.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the District's total other postemployment benefits liability and related ratios on page 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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 July 24, 2024, 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.

***D3A PLLC***

Spokane Valley, Washington  
November 19, 2024

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2023</b>	<b>2022</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 12,988,886	\$ 13,475,507
Receivables:		
Patient accounts, net	8,131,142	6,627,560
Pharmacy	264,410	-
Taxation for maintenance and operations	30,663	30,001
Taxation restricted for bond principal and interest	38,049	38,203
Estimated third-party payor settlements	167,805	73,528
Other	55,624	566,222
Inventories	1,195,374	1,207,092
Prepaid expenses	421,990	381,067
Total current assets	23,293,943	22,399,180
<i>Noncurrent assets</i>		
Cash and cash equivalents board designated as to use for capital acquisitions	4,055,685	3,334,892
Cash and cash equivalents restricted for debt service	68,654	68,262
Investment pledged as collateral for note payable	1,172,322	2,242,411
Capital assets, net	18,130,805	19,428,923
Total noncurrent assets	23,427,466	25,074,488
<i>Deferred outflows of resources</i>		
Other postemployment benefits	973,191	1,126,838
Goodwill	420,000	450,000
Total deferred outflows of resources	1,393,191	1,576,838
<b>Total assets and deferred outflows of resources</b>	<b>\$ 48,114,600</b>	<b>\$ 49,050,506</b>

*See accompanying notes to basic financial statements.*

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Statements of Net Position (Continued)**  
**December 31, 2023 and 2022**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2023</b>	<b>2022</b>
<i>Current liabilities</i>		
Accounts payable	\$ 1,645,886	\$ 1,614,729
Capital accounts payable	-	851,755
Accrued compensation and related liabilities	1,376,340	1,129,787
Accrued leave	1,448,662	1,318,707
Accrued interest payable	26,479	27,645
Estimated third-party payor settlements	632,783	20,356
Current maturities of long-term debt	835,756	810,376
Unearned grants	288,330	244,258
Total current liabilities	6,254,236	6,017,613
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	8,088,150	8,939,793
Other postemployment benefits liability	3,245,984	5,724,401
Total noncurrent liabilities	11,334,134	14,664,194
<b>Total liabilities</b>	<b>17,588,370</b>	<b>20,681,807</b>
<i>Deferred inflows of resources, other postemployment benefits</i>	<b>6,040,504</b>	3,788,903
<i>Net position</i>		
Net investment in capital assets	9,180,420	8,799,354
Restricted	1,279,025	2,348,876
Unrestricted	14,026,281	13,431,566
Total net position	24,485,726	24,579,796
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 48,114,600</b>	<b>\$ 49,050,506</b>

*See accompanying notes to basic financial statements.*



**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**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	\$ 49,416,985	\$ 43,451,350
Pharmacy	3,088,127	-
Grants	238,744	390,541
Other	728,681	321,717
Total operating revenues	53,472,537	44,163,608
<i>Operating expenses</i>		
Salaries and wages	27,934,847	24,460,035
Employee benefits	7,203,684	6,307,591
Professional fees	1,917,611	1,522,589
Purchased services, other	2,986,934	3,409,110
Purchased services, information technology	1,749,522	1,606,788
Supplies	8,693,493	5,812,134
Utilities	768,905	806,814
Rentals and leases	98,512	126,516
Repairs and maintenance	671,815	389,395
Depreciation	2,048,331	2,074,639
Insurance	433,897	347,116
Other	1,260,578	998,971
Total operating expenses	55,768,129	47,861,698
<i>Operating loss</i>	(2,295,592)	(3,698,090)
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	592,307	549,547
Taxation for bond principal and interest	681,118	683,972
Contributions	353,960	95,247
Investment income	569,264	19,796
Interest expense	(350,589)	(372,986)
CARES Act Provider Relief Fund	-	2,295,556
COVID-19 grants	-	140,544
Total nonoperating revenues, net	1,846,060	3,411,676
Excess of expenses over revenues before extraordinary item	(449,532)	(286,414)
<i>Extraordinary item - gain on insurance settlement</i>	355,462	-
Change in net position	(94,070)	(286,414)
Net position, beginning of year	24,579,796	24,866,210
<b>Net position, end of year</b>	<b>\$ 24,485,726</b>	<b>\$ 24,579,796</b>

See accompanying notes to basic financial statements.

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b><i>Change in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 48,431,553	\$ 45,122,558
Cash received from pharmacy	2,823,717	-
Cash received from operating grants	282,816	287,319
Cash received from other revenue	1,239,279	(145,653)
Cash paid to and on behalf of employees	(34,835,192)	(30,512,066)
Cash paid to suppliers and contractors	(18,549,315)	(15,304,274)
Net cash from operating activities	(607,142)	(552,116)
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	596,982	540,640
Contributions	353,960	95,247
Medicare Accelerated Payments	-	(3,406,318)
CARES Act Provider Relief Fund	-	946,304
Net cash from noncapital financing activities	950,942	(1,824,127)
<i>Cash flows from capital and related financing activities</i>		
Cash received from taxation for bond principal and interest	681,272	681,216
Principal paid on long-term debt	(842,157)	(816,995)
Interest paid on long-term debt	(335,861)	(358,209)
Purchase of capital assets	(1,607,305)	(973,122)
Net cash from capital and related financing activities	(2,104,051)	(1,467,110)
<i>Cash flows from investing activities</i>		
Purchase of investments	-	(6,004)
Sale of investments	1,070,089	-
Interest received	569,264	19,796
Insurance proceeds	355,462	-
Net cash from investing activities	1,994,815	13,792
Net change in cash and cash equivalents	234,564	(3,829,561)
Cash and cash equivalents, beginning of year	16,878,661	20,708,222
<b>Cash and cash equivalents, end of year</b>	<b>\$ 17,113,225</b>	<b>\$ 16,878,661</b>

*See accompanying notes to basic financial statements.*

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b><i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 12,988,886	\$ 13,475,507
Cash and cash equivalents board designated as to use for capital acquisitions	4,055,685	3,334,892
Cash and cash equivalents restricted for debt service	68,654	68,262
<b>Total cash and cash equivalents</b>	<b>\$ 17,113,225</b>	<b>\$ 16,878,661</b>
<b><i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i></b>		
Operating loss	\$ (2,295,592)	\$ (3,698,090)
<b><i>Adjustments to reconcile operating loss to net cash provided by operating activities</i></b>		
Depreciation	2,048,331	2,074,639
Amortization of goodwill	30,000	-
Provision for bad debts	746,177	303,212
(Increase) decrease in assets and deferred outflows of resources:		
Receivables:		
Patient accounts, net	(2,249,759)	(108,289)
Pharmacy	(264,410)	-
Estimated third-party payor settlements	(94,277)	1,455,929
Other	510,598	(467,370)
Inventories	11,718	(373,695)
Prepaid expenses	(40,923)	123,652
Deferred outflows of resources, other postemployment benefits	153,647	76,527
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	31,157	(34,798)
Accrued compensation and related liabilities	246,553	93,630
Accrued leave	129,955	(23,916)
Estimated third-party payor settlements	612,427	20,356
Unearned grants	44,072	(103,222)
Other postemployment benefits liability	(2,478,417)	710,704
Deferred inflows of resources, other postemployment benefits	2,251,601	(601,385)
<b>Net cash from operating activities</b>	<b>\$ (607,142)</b>	<b>\$ (552,116)</b>

*See accompanying notes to basic financial statements.*

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements**  
**Years Ended December 31, 2023 and 2022**

**1. Reporting Entity, Component Unit, and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Pend Oreille County Public Hospital District No. 1 doing business as Newport Hospital and Health Services (the District) owns and operates Newport Hospital and Health Services, a 24-bed critical access hospital; River Mountain Village Advanced Care, a 72-bed enhanced care assisted living facility; River Mountain Village, a 42-unit assisted living facility; Seeber's Pharmacy, a retail pharmacy; and Newport Health Center, a physician's clinic. These facilities are located in Newport, Washington. The District provides healthcare services to residents of Pend Oreille County, Washington, and Bonner County, Idaho. The services provided include acute care, assisted living, emergency room, physicians' clinics, and other related procedures (laboratory, imaging, therapy, etc.).

The District operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from paying federal income taxes. The Board of Commissioners consists of five community members elected to six-year terms. The District is not a component unit of Pend Oreille County.

The Newport Hospital and Health Services Foundation (the Foundation) is a separate nonprofit corporation. The District is the sole member of the Foundation, and the Foundation was organized for the sole benefit of the District. The Foundation has ten board members, all of whom are appointed by the District. The resources and operations were determined not to be significant to the District and, therefore, the Foundation is not reported as a component unit of the District in the accompanying financial statements.

**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, deferred outflows of resources, liabilities, deferred inflows 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. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

***Cash and cash equivalents*** – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Cash receipts are deposited directly to the District's depository accounts at a bank. Periodically, such cash is transferred to the operating accounts against which the District issues warrants.

***Inventories*** – Inventories of medical and other supplies are stated at cost using the first-in, first-out method, which is considered lower than market price.

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**1. Reporting Entity, Component Unit, and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

***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.

***Assets board designated as to use*** – Assets designated as to use include cash and cash equivalents set aside by the Board of Commissioners for future capital improvements over which the Board retains control and could subsequently use for other purposes.

***Assets restricted as to use*** – Assets restricted as to use include cash and cash equivalents restricted for repayment of principal and interest on bond indebtedness.

***Investment pledged as collateral for note payable*** – Restricted noncurrent investment is a five-year certificate of deposit pledged as collateral for the Mountain West Bank loan.

***Deferred outflows of resources – goodwill*** – Deferred outflows of resources include the amount the District paid in excess of the fair value of a pharmacy and its tangible assets on December 30, 2022. The District has recorded the goodwill as deferred outflows of resources, to be attributed to future periods based on the estimated useful lives of assets acquired, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*.

***Compensated absences*** – The District's employees earn paid time off (PTO) at varying rates depending on years of service. PTO accumulates each pay period throughout the year. PTO can accumulate up to 1.5 times the employee's annual accrual limit.

The District's employees also earn extended illness benefits (EIB) at 0.0346 hours per hour worked, up to 720 hours. EIB accruals are available for use in the pay period following successful completion of the probationary period. EIB may be accessed immediately for the use of medically qualifying leave for the employee or for family members as designated by the Washington State Family Care Act, as amended under varying circumstances as outlined in the policy. On November 30 of each year, all EIB hours in excess of 720 are reduced by paying the employee for 50 percent of the value of the excess hours and eliminating the remaining 50 percent.

***Unearned grants revenue*** – The District records unearned revenue when it receives consideration before achieving certain criteria that must be met for revenue to be recognized in conformity with generally accepted accounting principles. The District's unearned revenue consists of various operating grants.

***Net position*** – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of assets deposited with trustees as required by bond indentures. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**1. Reporting Entity, Component Unit, 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 individuals and other organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

***Change in accounting principle*** – In May 2020, 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.

***Reclassifications*** – Certain items included in the accompanying 2022 financial statements have been reclassified to conform with the 2023 presentation, with no effect on the previously reported change in net position.

***Subsequent events*** – Subsequent events have been reviewed through November 19, 2024, the date on which the financial statements were available to be issued.

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**2. Bank Deposits and Investments:**

***Custodial credit risk*** – The risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. All District deposits are 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, and all investments are insured, registered, or held by the District's agent in the District's name at qualified public depositories. The District's investment policy does not contain policy requirements that would limit the exposure to custodial risk for investments.

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

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements:

- A certificate of deposit of \$1,170,322 and \$2,242,411, as of December 31, 2023 and 2022, respectively, is valued using the market approach based primarily on current market interest rates for similar investments (Level 2 inputs).

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**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 collectability 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 patient 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:

	<b>2023</b>	<b>2022</b>
Receivables from patients and their insurance carriers	\$ 3,798,951	\$ 3,038,608
Receivables from Medicare	3,260,881	2,837,283
Receivables from Medicaid	1,504,068	1,146,847
Receivables from 340B contract pharmacies	16,929	46,840
Total patient accounts receivable	<b>8,580,829</b>	7,069,578
Less allowance for uncollectible accounts	<b>(449,685)</b>	(442,018)
<b>Patient accounts receivable, net</b>	<b>\$ 8,131,144</b>	<b>\$ 6,627,560</b>



**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**4. Property Taxes:**

The Pend Oreille County Treasurer acts as an agent to collect property taxes levied in Pend Oreille 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 Pend Oreille County Assessor on an annual basis at 100 percent of fair market value.

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 must be authorized by the vote of the people.

The District has two levies: a maintenance and operations (M&O) levy and a bond levy.

For 2023, the District's M&O tax levy was \$0.304804 per \$1,000 on a total assessed valuation of \$1,788,769,025, for a total M&O levy of \$545,225. For 2022, the District's M&O levy was \$0.336393 per \$1,000 on a total assessed valuation of \$1,569,768,110, for a total M&O levy of \$528,060.

For 2023, the District's bond levy was \$0.377666 per \$1,000 on a total assessed valuation of \$1,765,435,147, for a total bond levy of \$666,746. For 2022, the District's bond levy was \$0.424595 per \$1,000 on a total assessed valuation of \$1,546,147,318, for a total bond levy of \$656,487.

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. Extraordinary Item:**

During the year ended December 31, 2023, the District experienced a flood in the hospital, which required repairs to various damaged assets. The District incurred approximately \$296,000 of expenses to repair the facility, and was reimbursed by property insurance for approximately \$280,000 during 2023. The District is continuing to work with vendors and their property insurance company for additional reimbursements.

**6. Capital Assets:**

The District capitalizes assets whose costs exceed \$5,000 and which have an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When such assets are disposed of, the related costs and accumulated depreciation or amortization is removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the estimated useful life of the capital asset.

**Pend Oreille County Public Hospital District No. 1**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**6. Capital Assets (continued):**

Useful lives have been estimated as follows:

Land improvements	2 to 25 years
Buildings	5 to 40 years
Fixed equipment	5 to 20 years
Movable equipment	3 to 20 years

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<i>Capital assets not being depreciated</i>					
Land	\$ 915,078	\$ 22,170	\$ -	\$ -	\$ 937,248
Construction in progress	94,490	(33,202)	-	-	61,288
Total capital assets not being depreciated	1,009,568	(11,032)	-	-	998,536
<i>Capital assets being depreciated</i>					
Land improvements	2,485,123	-	(12,660)	-	2,472,463
Buildings	24,882,244	468,098	(45,808)	-	25,304,534
Fixed equipment	7,612,395	-	(60,392)	-	7,552,003
Movable equipment	11,686,108	298,484	(3,697,701)	-	8,286,891
Total capital assets being depreciated	46,665,870	766,582	(3,816,561)	-	43,615,891
<i>Less accumulated depreciation for</i>					
Land improvements	1,188,503	154,038	(12,660)	-	1,329,881
Buildings	15,512,294	698,951	(45,808)	-	16,165,437
Fixed equipment	2,552,954	534,683	(60,392)	-	3,027,245
Movable equipment	8,992,764	660,659	(3,692,364)	-	5,961,059
Total accumulated depreciation	28,246,515	2,048,331	(3,811,224)	-	26,483,622
<i>Total capital assets being depreciated, net</i>					
	18,419,355	(1,281,749)	(5,337)	-	17,132,269
<b>Capital assets, net</b>	<b>\$ 19,428,923</b>	<b>\$ (1,292,781)</b>	<b>\$ (5,337)</b>	<b>\$ -</b>	<b>\$ 18,130,805</b>

Construction in progress as of December 31, 2023, consisted of remodel costs with no significant additional costs to complete. This project was completed in 2024.

**Pend Oreille County Public Hospital District No. 1**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**6. Capital Assets (continued):**

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
<i>Capital assets not being depreciated</i>					
Land	\$ 834,399	\$ 80,679	\$ -	\$ -	\$ 915,078
Construction in progress	70,896	23,594	-	-	94,490
Total capital assets not being depreciated	905,295	104,273	-	-	1,009,568
<i>Capital assets being depreciated</i>					
Land improvements	2,485,123	-	-	-	2,485,123
Buildings	24,311,032	571,212	-	-	24,882,244
Fixed equipment	7,453,737	158,658	-	-	7,612,395
Movable equipment	11,620,377	549,734	(484,003)	-	11,686,108
Total capital assets being depreciated	45,870,269	1,279,604	(484,003)	-	46,665,870
<i>Less accumulated depreciation for</i>					
Land improvements	1,028,410	160,093	-	-	1,188,503
Buildings	14,825,607	686,687	-	-	15,512,294
Fixed equipment	2,066,302	486,652	-	-	2,552,954
Movable equipment	8,731,885	741,207	(480,328)	-	8,992,764
Total accumulated depreciation	26,652,204	2,074,639	(480,328)	-	28,246,515
<i>Total capital assets being depreciated, net</i>	19,218,065	(795,035)	(3,675)	-	18,419,355
<b>Capital assets, net</b>	<b>\$ 20,123,360</b>	<b>\$ (690,762)</b>	<b>\$ (3,675)</b>	<b>\$ -</b>	<b>\$ 19,428,923</b>

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**7. Long-term Debt:**

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2022			Additions	Reductions	Balance December 31, 2023		Amount Due Within One Year
<i>Long-term debt</i>								
HFU loan payable	\$	358,481	\$	-	\$ (9,661)	\$	348,820	\$ 9,806
Mountain West Bank loan		1,507,385		-	(450,708)		1,056,677	460,950
2018 UTGO Bond		7,630,000		-	(350,000)		7,280,000	365,000
2018 UTGO Bond Premium		254,303		-	(15,894)		238,409	-
<b>Total long-term debt</b>	<b>\$</b>	<b>9,750,169</b>	<b>\$</b>	<b>-</b>	<b>\$ (826,263)</b>	<b>\$</b>	<b>8,923,906</b>	<b>\$ 835,756</b>

	Balance December 31, 2021			Additions	Reductions	Balance December 31, 2022		Amount Due Within One Year
<i>Long-term debt</i>								
HFU loan payable	\$	367,999		-	\$ (9,518)	\$	358,481	\$ 9,661
Mountain West Bank loan		1,948,074		-	(440,689)		1,507,385	450,715
2018 UTGO Bond		7,965,000		-	(335,000)		7,630,000	350,000
2018 UTGO Bond Premium		270,197		-	(15,894)		254,303	-
<b>Total long-term debt</b>	<b>\$</b>	<b>10,551,270</b>	<b>\$</b>	<b>-</b>	<b>\$ (801,101)</b>	<b>\$</b>	<b>9,750,169</b>	<b>\$ 810,376</b>

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

- Note payable to the Housing and Finance Unit of the Washington Department of Community, Trade and Economic Development (HFU) dated May 30, 2000, in the original amount of \$550,000, payable in annual installments of \$15,038, including interest at 1.5 percent, through April 1, 2052. The note is collateralized by property owned by the District.
- A note payable to Mountain West Bank dated May 25, 2016, in the original amount of \$4,000,000, which was refinanced on May 7, 2021, payable in monthly installments of \$40,000, including interest at 2.25 percent, through May 10, 2026. The note is collateralized by a certificate of deposit.
- Unlimited Tax General Obligation Bonds (UTGO), dated March 27, 2018, in the original amount of \$9,865,000 for the purpose of the construction of an assisted living facility. The bonds are payable in semiannual interest payments at 3.81 percent and annual principal installments ranging from \$365,000 to \$650,000 through December 1, 2038.

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**7. Long-term Debt (continued):**

The District is required to levy and collect sufficient taxes each year to pay the bond principal and interest payments due. 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 2018 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.

Aggregate annual principal and interest payments over the terms of long-term debt are as follows:

Years Ending December 31,	Notes Payable			UTGO Bonds			Total Long-term Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 470,756	\$ 24,282	\$ 495,038	\$ 365,000	\$ 317,744	\$ 682,744	\$ 835,756	\$ 342,026	\$ 1,177,782
2025	481,400	13,638	495,038	380,000	303,144	683,144	861,400	316,782	1,178,182
2026	134,382	5,421	139,803	390,000	291,744	681,744	524,382	297,165	821,547
2027	10,254	4,784	15,038	400,000	279,069	679,069	410,254	283,853	694,107
2028	10,407	4,631	15,038	415,000	265,069	680,069	425,407	269,700	695,107
2029-2033	54,426	20,764	75,190	2,360,000	1,047,125	3,407,125	2,414,426	1,067,889	3,482,315
2034-2038	58,632	16,558	75,190	2,970,000	442,000	3,412,000	3,028,632	458,558	3,487,190
2039-2043	63,164	12,026	75,190	-	-	-	63,164	12,026	75,190
2044-2048	68,045	7,145	75,190	-	-	-	68,045	7,145	75,190
2049-2052	54,031	1,949	55,980	-	-	-	54,031	1,949	55,980
	<b>\$ 1,405,497</b>	<b>\$ 111,198</b>	<b>\$ 1,516,695</b>	<b>\$ 7,280,000</b>	<b>\$ 2,945,895</b>	<b>\$ 10,225,895</b>	<b>\$ 8,685,497</b>	<b>\$ 3,057,093</b>	<b>\$ 11,742,590</b>

**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 have not changed significantly from the prior year. The District's charity care policy was unchanged during the year ended December 31, 2023. The District's uninsured discount policy was unchanged during the year ended December 31, 2023.

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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**8. Net Patient Service Revenue (continued):**

Patient service revenue, net of contractual adjustments and discounts, recognized in the period from these major payor sources, is as follows:

	2023	2022
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 21,561,397	\$ 19,277,398
Medicaid	11,541,594	9,917,483
Other third-party payors	13,469,941	10,912,869
Patients	3,682,876	2,583,243
340B contract pharmacies	400,951	1,381,647
	<b>50,656,759</b>	<b>44,072,640</b>
Less:		
Charity care	(493,597)	(318,078)
Provision for bad debts	(746,177)	(303,212)
<b>Net patient service revenue</b>	<b>\$ 49,416,985</b>	<b>\$ 43,451,350</b>

The District has agreements with third-party payors that provide for payments 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 has been designated a rural health clinic by Medicare. The hospital and clinic are paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The hospital and clinics are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the hospital and audits thereof by the Medicare administrative contractor. Non-rural health clinic physician services are paid 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. Assisted living services are paid on a pre-determined amount per day. Non-rural health clinic physician services are paid on a fee schedule.

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

**Pend Oreille County Public Hospital District No. 1**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**8. Net Patient Service Revenue (continued):**

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$-0- and \$61,000 in 2023 and 2022, respectively, due to differences between original estimates and preliminary settlements and/or revised estimates.

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 approximately \$355,000 and \$239,000, respectively.

**9. Retirement Plans:**

The District provides benefits through defined contribution retirement plans under Section 401(a) and 403(b) of the Internal Revenue Code (IRC). In a defined contribution plan, benefits depend solely on amounts contributed by the employee and the District to the plan plus investment earnings. The names of the plans are the Public Hospital District No. 1 of Pend Oreille County Money Purchase Thrift Plan (the 401(a) Plan), and the Public Hospital District No. 1 of Pend Oreille County IRC Section 403(b) Tax Deferred Annuity Plan (the 403(b) Plan).

The 401(a) Plan is available to all employees with at least three months of service and who are making contributions to the 403(b) Plan. The 403(b) Plan is available to all benefit-eligible employees of the District.

The District contributes to the 401(a) Plan by matching 100 percent of employee contributions to the 403(b) Plan up to 6 percent of each employee's eligible annual compensation. Employees become fully vested in the District's contributions at the end of three years of service. The District contributed approximately \$1,082,000 and \$953,000 to the 401(a) Plan in 2023 and 2022, respectively.

Contributions are based on a percentage of compensations up to the legal maximums. The 403(b) Plan participants made contributions for the years ended December 31, 2023 and 2022, of approximately \$1,658,000 and \$1,458,000, respectively.

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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**9. Retirement Plans (continued):**

The District also offers a deferred compensation plan under Section 457(b) of the IRC. The name of the plan is The Executive 457(b) Retirement Plan. The plan is voluntary and contributions vest immediately. The plan is available to all employees at least 21 years of age with one year of continuous employment and 800 hours of service during the plan year. Employee contributions are deposited and held with accounts established with Principal Financial Group. Plan participants contributed approximately \$22,000 and \$25,000 in 2023 and 2022, respectively.

The District has the authority to amend all retirement plans.

**10. 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 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

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. 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.



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**10. Other Postemployment Benefits (OPEB) (continued):**

*Employees covered by the benefit terms* – The following employees were covered by the benefit terms:

	<b>2023</b>	<b>2022</b>
Inactive employees or beneficiaries currently receiving benefit payments	<b>12</b>	10
Active plan members	<b>315</b>	321
<b>Total members</b>	<b>327</b>	331

*Total OPEB liability* – The District’s total OPEB liability of \$3,245,984 and \$5,724,401 were measured as of December 31, 2023 and 2022, respectively, and were determined by an actuarial valuation as of July 1, 2022.

*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:

	<b>Claims and Contributions</b>	<b>Claims</b>	<b>Premiums</b>
<b>Year</b>	<b>Pre-65</b>	<b>Post-65</b>	<b>Post-65</b>
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%

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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**10. Other Postemployment Benefits (OPEB) (continued):**

***Actuarial assumptions and other inputs (continued)*** – The trend assumptions are used to project medical claims costs. For the non-Medicare group, the same trends are used to project medical contributions. For the Medicare group, the assumptions are adjusted for the post-65 contribution trend to account for the aging of the Medicare population by one year every five years. It is also adjusted for the post-65 contribution trend in the first three years to account for the set explicit Medicare subsidy in 2020 through 2023. In 2020, the Medicare subsidy amount is \$183. The Medicare subsidy amount is assumed to remain at \$183 through 2023, after which it is assumed to increase with trend.

The discount rate of 3.72 percent for 2023 and 2.06 percent for 2022 was based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in twenty years.

Demographic assumptions regarding retirement, mortality, disability mortality, turnover, and marriage are based on assumptions used in the 2023 actuarial valuation for the Washington state retirement systems and modified for the District as follows:

***Retirement eligibility*** – Members are eligible for service retirement at age 55 with 20 years of service or age 65 with five years of service.

***Healthy mortality after retirement*** – PubG.H-2010 Mortality

***Election assumption (members)*** – 40 percent of Members are assumed to elect medical benefits upon retirement. 30 percent of Members are assumed to elect dental benefits upon retirement.

***Election assumption (spouses)*** – 40 percent of Members are assumed to enroll eligible spouses in medical benefits as of the retirement date.

***Medicare coverage*** – 100 percent of members are assumed to enroll in Medicare, once eligible, after initial participation.

***Spouse age*** – Male members are assumed to be three years older than their wives, and female members are assumed to be two years younger than their husbands.

***Selection of carrier*** – All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees.

The valuation date is July 1, 2022. This is the date as of which the census is gathered, and the actuarial valuation is performed. The measurement date is December 31, 2022. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag of up to one year between the measurement date and the reporting date.

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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**10. Other Postemployment Benefits (OPEB) (continued):**

Changes in the total OPEB liability are as follows:

	<b>Total OPEB Liability 2023</b>	<b>Total OPEB Liability 2022</b>
Balance, at beginning of year	\$ 5,724,401	\$ 5,013,697
Service cost	588,942	559,636
Interest	129,581	117,749
Changes of assumptions or other inputs	(2,359,513)	71,725
Changes of economic/demographic losses	(791,223)	-
Benefit payments	(46,204)	(38,406)
Net changes	(2,478,417)	710,704
<b>Balance, at end of year</b>	<b>\$ 3,245,984</b>	<b>\$ 5,724,401</b>

Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each period.

***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 for the years ended December 31, 2023 and 2022, that is one percentage point lower, or one percentage point higher than the current discount rate:

<b>2023</b>			
	<b>1% Decrease 2.72%</b>	<b>Discount Rate 3.72%</b>	<b>1% Increase 4.72%</b>
Total OPEB liability	\$ 3,890,251	\$ 3,245,984	\$ 2,734,489
<b>2022</b>			
	<b>1% Decrease 1.06%</b>	<b>Discount Rate 2.06%</b>	<b>1% Increase 3.06%</b>
Total OPEB liability	\$ 7,056,741	\$ 5,724,401	\$ 4,691,391

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**10. 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:

<b>2023</b>			
	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 2,641,700	\$ 3,245,984	\$ 4,048,526
<b>2022</b>			
	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 4,441,117	\$ 5,724,401	\$ 7,504,601

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**10. Other Postemployment Benefits (OPEB) (continued):**

***OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB*** – For the years ended December 31, 2023 and 2022, the District recognized OPEB expense of (\$73,169) and \$185,846, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>2023</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (1,053,535)
Changes of assumptions and other inputs	924,584	(4,986,969)
Contributions made subsequent to the measurement date	48,607	-
<b>Total</b>	<b>\$ 973,191</b>	<b>\$ (6,040,504)</b>
<b>2022</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (381,212)
Changes of assumptions and other inputs	1,080,634	(3,407,691)
Contributions made subsequent to the measurement date	46,204	-
<b>Total</b>	<b>\$ 1,126,838</b>	<b>\$ (3,788,903)</b>

Contributions made subsequent to the measurement date will be charged to OPEB expense in the next fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

<b>Year Ending December 31,</b>	
2023	\$ (743,085)
2024	(743,085)
2025	(743,085)
2026	(728,474)
2027	(740,911)
Thereafter	\$ (1,417,280)

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**11. Risk Management and Contingencies:**

***Medical malpractice claims*** – The District has professional liability insurance coverage with Physicians Insurance A Mutual Company. 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. The policy has no deductible.

The District also has excess professional liability insurance with Physicians Insurance A Mutual Company on a “claims-made” basis. The excess malpractice insurance provides \$5,000,000 per claim of primary coverage with an aggregate limit of \$5,000,000. The policy has no deductible.

***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.

***Self-insurance risk pools*** – The District self-insures for unemployment insurance through the Public Hospital District Unemployment Compensation Trust. The trust is 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. Premiums are charged to operations as they are incurred. In 2014, the trust assessed its financial condition and decided that it had excess financial reserves that it would return to the member districts through dividend distributions. Unemployment compensation expenses under the plan were approximately \$53,000 and \$33,000 in 2023 and 2022, respectively.

***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.

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**12. Concentration of Risks:**

***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 Pend Oreille County, Washington, and Bonner County, Idaho.

The mix of receivables from patients follows:

	<b>2023</b>	<b>2022</b>
Medicare	<b>35 %</b>	38 %
Medicaid	<b>17</b>	17
Other third-party payors	<b>43</b>	39
Patients	<b>5</b>	6
	<b>100 %</b>	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 changes in their utilization patterns may have an adverse effect on the District’s operations.

***Collective bargaining units*** – As of December 31, 2023 and 2022, approximately 12 percent and 10 percent, respectively, of the District’s employees were represented under a collective bargaining agreement with Service Employees International Union Healthcare 1199NW (SEIU) from January 1, 2023 through December 31, 2025.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability**  
**and Related Ratios**  
**Years Ended December 31, 2017, 2018, 2019, 2020, 2021, 2022, and 2023**

	2017	2018	2019	2020	2021	2022	2023
<i>Total OPEB Liability</i>							
Service cost	\$ 666,420	\$ 651,119	\$ 744,689	\$ 326,044	\$ 442,246	\$ 559,636	\$ 588,942
Interest on total OPEB liability	233,083	267,679	296,909	153,448	140,430	117,749	129,581
Effect of assumptions, changes, or other inputs	(306,787)	567,858	#####	822,797	(231,927)	71,725	(3,150,736)
Expected benefit payments	(22,918)	(26,956)	(34,296)	(32,269)	(39,631)	(38,406)	(46,204)
Net change in total OPEB liability	569,798	1,459,700	#####	1,270,020	311,118	710,704	(2,478,417)
Total OPEB liability - beginning	5,873,890	6,443,688	7,903,388	3,432,559	4,702,579	5,013,697	5,724,401
Total OPEB liability - ending	\$ 6,443,688	\$ 7,903,388	\$ 3,432,559	\$ 4,702,579	\$ 5,013,697	\$ 5,724,401	\$ 3,245,984
Covered-employee payroll	\$ 15,465,141	\$ 16,964,358	\$ 17,663,868	\$ 19,122,325	\$ 20,204,690	\$ 22,526,024	\$ 24,659,207
Total OPEB liability as a percentage of covered-employee payroll	42%	47%	19%	25%	25%	25%	13%

**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.

\*GASB Statement No. 75 requires ten 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.

*See accompanying independent auditors' report.*

## **SINGLE AUDIT**

## **AUDITORS' SECTION**



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

Board of Commissioners  
Pend Oreille County Public Hospital District No. 1  
doing business as Newport Hospital and Health Services  
Newport, 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 Pend Oreille County Public Hospital District No. 1 doing business as Newport Hospital and Health Services (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 and have issued our report thereon dated November 19, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**D3A PLLC**

Spokane Valley, Washington  
November 19, 2024



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

Board of Commissioners  
Pend Oreille County Public Hospital District No. 1  
doing business as Newport Hospital and Health Services  
Newport, Washington

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Pend Oreille County Public Hospital District No. 1 doing business as Newport Hospital and Health Services' (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

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

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

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2023-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as item 2023-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of audit findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Purpose of This Report

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

**D3A PLLC**

Spokane Valley, Washington  
November 19, 2024



**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended December 31, 2023**

**Section I – Summary of Auditors’ Results**

**Financial Statements:**

Type of auditors’ report issued:

*Unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?

\_\_\_ yes X no

• Significant deficiency(ies) identified?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

**Federal Awards:**

Internal control over the major federal program:

• Material weakness(es) identified?

X yes \_\_\_ no

• Significant deficiency(ies) identified?

\_\_\_ yes X none reported

Type of auditors’ report issued on compliance for the major federal program:

*Unmodified*

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

X yes \_\_\_ no

**Identification of major federal program:**

*Federal Assistance Listing Number*

*Name of Federal Program or Cluster*

93.498

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

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

Auditee qualified as low-risk auditee?

\_\_\_ yes X no

**Pend Oreille County Public Hospital District No. 1  
doing business as Newport Hospital and Health Services  
Schedule of Audit Findings and Questioned Costs (Continued)  
Year Ended December 31, 2023**

**Section II – Financial Statement Findings**

No matters were reported for 2023.

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

**2023-001                      Provider Relief Fund Reporting of Lost Revenue**

***Federal Agency***                      Department of Health and Human Services

***Federal Assistance Listing Number***                      93.498 – Provider Relief Fund and American Rescue Plan Rural Distribution

***Award Numbers***                      Not applicable

***Criteria***                      [ X ] Compliance Finding [   ] Significant Deficiency [ X ] Material Weakness

Under the terms and conditions of the award, the recipient certifies it will report actual net patient revenues for the periods reported on in its reporting of actual net patient revenues for its calculation of lost revenues due to coronavirus.

***Condition***                      The District’s 2021 and 2022 net patient service revenue and allowance for contractual adjustments and bad debt was understated resulting in audit adjustments. As a result, net patient service revenues were not accurately reported.

***Context***                      This finding appears to be an isolated problem.

***Cause***                      The District prepared its lost revenue calculations before adjustments for estimated third-party payor settlements and the allowance for uncollectible accounts were posted.

***Effect***                      The actual net patient service revenues for 2021 and 2022 did not reflect the correct amounts to be used in its lost revenue calculations. If the adjustment amount was properly allocated to those quarters, the District would still have sufficient healthcare-related expenses attributable to coronavirus and lost revenues to use all of the Provider Relief Fund amounts received. Therefore, there is no effect on the District’s retention of the Provider Relief Funds.

***Recommendation***                      We recommend the District’s management correct its lost revenue calculation in subsequent period reporting for the Provider Relief Fund.

***Views of responsible officials and planned corrective actions***                      The District moved to a new EHR in the first quarter of 2021. Implementation of the new system put our accounting department behind. When the PRF was reported on, the cost report settlement had not been booked. Therefore, the initial gross revenue amount was off. The District expects to have accounting closed much closer to its fiscal year end starting in 2024

**AUDITEE'S SECTION**

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Program: Provider Relief Fund and American Rescue Plan Rural Distribution	93.498		COVID-19 \$	946,304
U.S. Department of Health and Human Services Pass-through Program From: <i>Washington State Department of Health</i> Small Rural Hospital Improvement Grant Program	93.301	HSP27144		12,598
<b>Total expenditures of federal awards</b>			<b>\$</b>	<b>958,902</b>

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

**Notes to the Schedule of Expenditures of Federal Awards:**

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pend Oreille County Public Hospital District No. 1 doing business as Newport Hospital and Health Services (the District) under programs of the federal government for the year ended December 31, 2023. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the June 30, 2023, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**2. Summary of Significant Accounting Policies**

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

**Pend Oreille County Public Hospital District No. 1  
doing business as Newport Hospital and Health Services  
Corrective Action Plan  
Year Ended December 31, 2023**



## **NEWPORT HOSPITAL & HEALTH SERVICES**

714 W. Pine Street • Newport, Washington 99156 • (509) 447-2441

The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II – *Financial Statement Findings*, and one matter in Section III – *Federal Award Findings and Questioned Costs*.

**Current year audit findings:**

**2023-001 Provider Relief Fund Reporting of Lost Revenue**

***Corrective action planned:***

The District moved to a new EHR in the first quarter of 2021. Implementation of the new system put our accounting department behind. When the PRF was reported on, the cost report settlement had not been booked. Therefore, the initial gross revenue amount was off. The District expects to have accounting closed much closer to its fiscal year end starting in 2024.

***Anticipated completion date:***

January 2024

***Contact person responsible for corrective action:***

Kim Manus, Chief Executive Officer

**Pend Oreille County Public Hospital District No. 1**  
**doing business as Newport Hospital and Health Services**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2023**

**2022-001 Provider Relief Fund Reporting of Lost Revenue**

***Status:*** Not corrected, repeated as 2023-001

***Fiscal year of initial occurrence:*** 2021

***Reason for recurrence:*** The District moved to a new EHR in the first quarter of 2021. Implementation of the new system put our accounting department behind. When the PRF was reported on, the cost report settlement had not been booked. Therefore, the initial gross revenue amount was off. The District expects to have accounting closed much closer to its fiscal year end starting in 2024.

***Planned corrective action:*** See corrective action plan

***Partial corrective action taken:*** The District did reconcile to their financial statements at the time, but due to the cost report not being completed at the time, that estimate was not included.