

Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021



**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Table of Contents**

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-3
<i>BASIC FINANCIAL STATEMENTS:</i>	
Basic statements of net position	4-5
Basic statements of revenues, expenses, and changes in net position	6
Basic statements of cash flows	7-8
Notes to basic financial statements	9-26
<i>SUPPLEMENTAL SCHEDULES:</i>	
Schedule of changes in the District's total OPEB liability and related ratios	27
Schedule of divisional statement of net position	28
Schedule of divisional statement of revenues, expenses, and changes in net position	29
<i>SINGLE AUDIT:</i>	
AUDITORS' SECTION:	
<i>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</i>	30-31
<i>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</i>	32-34
Schedule of findings and questioned costs	35-36
AUDITEE'S SECTION:	
Schedule of expenditures of federal awards	37
Corrective action plan	38
Summary schedule of prior year audit findings	39



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Republic, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital (the District) as of and for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility 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 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of divisional statement of net position and divisional statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 February 13, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated May 23, 2022, which has not been included with the 2022 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing for each year, 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

Spokane Valley, Washington
February 13, 2024

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Basic Statements of Net Position
December 31, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
<i>Current assets</i>		
Cash and cash equivalents	\$ 6,463,271	\$ 8,113,154
Receivables:		
Patient accounts	3,277,824	2,576,962
Taxes	29,764	15,049
Estimated third-party payor settlements	492,775	1,930
Other	402,331	135,547
Inventories	543,686	482,978
Prepaid expenses	160,192	128,107
Total current assets	11,369,843	11,453,727
<i>Noncurrent assets – capital assets, net of accumulated depreciation</i>	6,186,710	6,439,741
<i>Deferred outflows of resources, goodwill</i>	404,927	436,075
Total assets and deferred outflows of resources	\$ 17,961,480	\$ 18,329,543

See accompanying notes to basic financial statements.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Basic Statements of Net Position (Continued)
December 31, 2022 and 2021

LIABILITIES AND NET POSITION	2022	2021
<i>Current liabilities</i>		
Accounts payable	\$ 547,432	\$ 1,121,617
Capital accounts payable	5,942	97,744
Accrued compensation and related liabilities	679,554	572,276
Estimated third-party payor settlements	-	74,000
Unearned CARES Act Provider Relief Fund and American Rescue Plan funds	-	572,969
Unearned other COVID relief funds	3,789	324,523
Current maturities of long-term debt	621,524	611,647
Current maturities of lease liability	22,865	17,951
Total current liabilities	1,881,106	3,392,727
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	1,511,207	2,132,953
Lease liability, less current maturities	12,846	36,455
Other postemployment benefits liability	1,046,706	-
Total noncurrent liabilities	2,570,759	2,169,408
Total liabilities	4,451,865	5,562,135
<i>Net position</i>		
Net investment in capital assets	4,345,834	4,038,320
Unrestricted	9,163,781	8,729,088
Total net position	13,509,615	12,767,408
Total liabilities and net position	\$ 17,961,480	\$ 18,329,543

See accompanying notes to basic financial statements.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Basic Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Operating revenues</i>		
Net patient service revenue	\$ 17,951,503	\$ 17,463,386
Retail pharmacy	3,256,445	2,799,285
Grants	127,889	57,719
Other	513,835	474,164
Total operating revenues	21,849,672	20,794,554
<i>Operating expenses</i>		
Salaries and wages	9,135,573	8,296,519
Employee benefits	2,104,028	2,036,809
Other postemployment benefits	1,046,706	-
Professional fees and purchased services	4,027,361	2,988,502
Supplies	3,739,759	3,489,510
Utilities	295,176	289,232
Rentals and leases	47,018	55,611
Repairs and maintenance	258,762	239,293
Depreciation and amortization	936,518	827,883
Insurance	141,648	117,077
Other	563,828	632,367
Total operating expenses	22,296,377	18,972,803
<i>Operating income (loss)</i>	(446,705)	1,821,751
<i>Nonoperating revenues (expenses)</i>		
CARES Act Provider Relief Fund and American Rescue Plan funds	572,969	973,876
Other COVID relief funds	236,109	400,000
Tax revenue	389,476	288,600
Nonoperating revenue	31,187	47,163
Interest income	7,238	8,195
Contributions	-	2,715
Interest expense	(48,067)	(161,112)
Total nonoperating revenues, net	1,188,912	1,559,437
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan	742,207	3,381,188
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	-	1,280,228
Change in net position	742,207	4,661,416
Net position, beginning of year	12,767,408	8,105,992
Net position, end of year	\$ 13,509,615	\$ 12,767,408

See accompanying notes to basic financial statements.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Basic Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 16,685,796	\$ 16,609,605
Cash received from retail pharmacy	3,024,445	2,799,285
Cash received from operating grants	127,889	57,719
Cash received from other revenue	479,051	340,117
Cash paid to and on behalf of employees	(11,132,323)	(10,353,781)
Cash paid to suppliers and contractors	(9,709,382)	(7,584,355)
Net cash from operating activities	(524,524)	1,868,590
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	374,761	294,572
Nonoperating activities	31,187	47,163
Contributions	-	2,715
Purchase of goodwill	-	(467,223)
Proceeds from CARES Act Provider Relief Fund and American Rescue Plan funds	-	823,104
CARES Act Provider Relief Fund and American Rescue Plan funds returned	-	(2,211,269)
Other COVID relief funds	(84,625)	241,387
Net cash from noncapital financing activities	321,323	(1,269,551)
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(775,289)	(1,529,491)
Proceeds from issuance of long-term debt	-	2,962,983
Principal paid on long-term debt	(611,869)	(3,862,394)
Principal paid on lease liabilities	(18,695)	(57,636)
Interest paid on long-term debt and lease liabilities	(48,067)	(322,018)
Net cash from capital and related financing activities	(1,453,920)	(2,808,556)
<i>Cash flows from investing activities</i>		
Interest income	7,238	8,195
Net decrease in cash and cash equivalents	(1,649,883)	(2,201,322)
Cash and cash equivalents, beginning of year	8,113,154	10,314,476
Cash and cash equivalents, end of year	\$ 6,463,271	\$ 8,113,154

See accompanying notes to basic financial statements.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Basic Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</i>		
Operating income (loss)	\$ (446,705)	\$ 1,821,751
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities</i>		
Depreciation and amortization	936,518	827,883
Goodwill amortization	31,148	31,148
Provision for bad debts	322,454	767,783
Other postemployment benefits	1,046,706	-
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(1,023,316)	(1,382,760)
Estimated third-party payor settlements	(490,845)	(1,930)
Other	(266,784)	(134,047)
Inventories	(60,708)	(254,592)
Prepaid expenses	(32,085)	(89,315)
Increase (decrease) in liabilities:		
Accounts payable	(574,185)	539,996
Accrued compensation and related liabilities	107,278	(20,453)
Estimated third-party payor settlements	(74,000)	(236,874)
Net cash from operating activities	\$ (524,524)	\$ 1,868,590

See accompanying notes to basic financial statements.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements
Years Ended December 31, 2022 and 2021

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Ferry County Public Hospital District No. 1 (the District) owns and operates three separate operating divisions: a hospital division, which includes Ferry County Memorial Hospital, a 25-bed critical access hospital; a 16-bed assisted living facility; and a retail pharmacy, all located in Republic, Washington. The District provides healthcare services to patients in the Ferry County, Washington, area. Services provided by the District include an acute care hospital, assisted living, emergency room, physicians' clinic, prescription drug distribution, and other related ancillary procedures (laboratory, imaging services, therapy, etc.) associated with those services.

The District operates under the laws of the state of Washington for Washington municipal corporations. As organized, the District is exempt from 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 Ferry County.

The District has no significant component units.

b. Summary of Significant Accounting Policies

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

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

Cash and cash equivalents – All cash receipts are deposited directly into a depository bank account. For purposes of the statements of cash flows, the District considers all cash and cash investments with maturity dates of less than 90 days as cash and cash equivalents.

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

Deferred outflows of resources – Deferred outflows of resources includes the amount the District paid in excess of the fair value of a retail pharmacy business. Deferred outflows of resources are being amortized over a 15-year period.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

b. Summary of Significant Accounting Policies (continued)

Compensated absences – Compensated absences are absences for which employees will be paid. The District provides paid time off (PTO) that accrues each pay period based on employment classification and length of service. The District also provides employees an Employee Illness Bank (EIB) in the event of an employee’s inability to work due to illness, injury, or family medical/health-related emergency. The District records unpaid leave for compensated absences as an expense and liability when incurred. The District tracks and accrues PTO for all non-per diem employees who work regularly scheduled 40 hours or more in a two-week period, utilizing a formula based on the number of years of service. PTO may be accumulated up to a two-year accrued benefit. All employees who voluntarily end their employment with the District in good standing are paid their accrued hours at their regular pay rate.

The District also has a Wellness Incentive Plan. The purpose of the Wellness Incentive Plan is to encourage employees to maintain their EIB and to provide additional benefits of accrual and cash out. Employees who have reached 62 years of age or have been employed with the District in excess of 20 years may cash out a percentage of accrued EIB hours upon retirement.

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* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The District had no restricted net position at either December 31, 2022 or 2021. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues 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.

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

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

b. Summary of Significant Accounting Policies (continued)

Change in accounting principle – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee’s right to use the leased asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The District adopted Statement No. 87 during the year ended December 31, 2022. The implementation of Statement No. 87 had no effect on the District’s financial statements.

Upcoming accounting standards pronouncements – In May 2020, the 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 ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

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

2. Bank Deposits and Investments:

Custodial credit risk is the risk that in the event of a depository institution failure, the District’s deposits may not be refunded to it.

All cash and cash equivalents deposited with qualified public depositories are protected against loss by the State of Washington Public Deposit Protection Commission, as provided by the *Revised Code of Washington* (RCW) Chapter 39.58 subject to certain limitations. Qualified public depositories, including Washington Federal, N.A., pledge securities with this commission, which are available to insured public deposits within the state of Washington. The cash on deposit with these banks is also insured through the Federal Deposit Insurance Corporation.

The RCW Chapter 39 authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. Amounts invested in the Ferry County Local Government Investment Pool at December 31, 2021, was approximately \$5,090,000. The Ferry County Local Government Investment Pool consisted only of a simple money market account.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

2. Bank Deposits and Investments (continued):

Investments in the Ferry County Local Government Investment Pool were reported at fair value based on the net asset value per share. Investments generally may be redeemed with no waiting period with proper notice to the Ferry County Treasurer.

In fiscal year 2022, the District transitioned to maintaining deposits at Washington Federal, N.A., and cash and cash equivalents were no longer held by the Ferry County Treasurer.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible amounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible amounts 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 has not changed significantly from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

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

	2022	2021
Receivables from patients and their insurance carriers	\$ 1,980,891	\$ 1,497,335
Receivables from Medicare	1,214,546	1,177,648
Receivables from Medicaid	625,807	393,380
Total patient accounts receivable	3,821,244	3,068,363
Less allowance for uncollectible accounts	543,420	491,401
Patient accounts receivable, net	\$ 3,277,824	\$ 2,576,962

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

4. Property Taxes:

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

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the District by the Ferry 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 currently levies taxes at a lower rate. Further amounts of tax must be authorized by the vote of the people.

The District's portion of the regular tax levy available for maintenance and operations was \$0.72 and \$0.59 per \$1,000 on a total assessed valuation of \$496,694,263 and \$454,586,839 for a total regular levy of \$355,757 and \$266,760 for the years ended December 31, 2022 and 2021, respectively.

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

5. Capital Assets:

The District capitalizes assets whose costs exceed \$5,000 and with 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 being depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the capital asset. Such amortization is included in depreciation and amortization in the financial statements. Useful lives have been estimated as follows:

Land improvements	5 to 20 years
Buildings and fixtures	3 to 40 years
Fixed equipment	3 to 25 years
Movable equipment	3 to 38 years

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. 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	\$ 47,282	\$ -	\$ -	\$ -	\$ 47,282
Construction in progress	-	56,478	-	-	56,478
Total capital assets not being depreciated	47,282	56,478	-	-	103,760
<i>Capital assets being depreciated</i>					
Land improvements	671,889	139,501	-	-	811,390
Buildings and fixtures	9,217,231	-	-	-	9,217,231
Fixed equipment	2,117,342	30,866	-	-	2,148,208
Movable equipment	5,340,404	456,642	-	-	5,797,046
Total capital assets being depreciated	17,346,866	627,009	-	-	17,973,875
<i>Less accumulated depreciation for</i>					
Land improvements	246,515	40,332	-	-	286,847
Buildings and fixtures	5,239,362	474,096	-	-	5,713,458
Fixed equipment	1,779,453	31,994	-	-	1,811,447
Movable equipment	3,689,077	390,096	-	-	4,079,173
Total accumulated depreciation	10,954,407	936,518	-	-	11,890,925
Total capital assets being depreciated, net	6,392,459	(309,509)	-	-	6,082,950
Capital assets, net	\$ 6,439,741	\$ (253,031)	\$ -	\$ -	\$ 6,186,710

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Capital Assets (continued):

Capital additions, retirements, transfers, and balances follow:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 27,282	\$ 20,000	\$ -	\$ -	\$ 47,282
<i>Capital assets being depreciated</i>					
Land improvements	556,933	114,956	-	-	671,889
Buildings and fixtures	8,947,146	270,085	-	-	9,217,231
Fixed equipment	1,826,945	290,397	-	-	2,117,342
Movable equipment	4,471,713	884,641	(15,950)	-	5,340,404
Total capital assets being depreciated	15,802,737	1,560,079	(15,950)	-	17,346,866
<i>Less accumulated depreciation for</i>					
Land improvements	219,566	26,949	-	-	246,515
Buildings and fixtures	4,786,710	452,652	-	-	5,239,362
Fixed equipment	1,759,948	19,505	-	-	1,779,453
Movable equipment	3,376,250	328,777	(15,950)	-	3,689,077
Total accumulated depreciation	10,142,474	827,883	(15,950)	-	10,954,407
Total capital assets being depreciated, net	5,660,263	732,196	-	-	6,392,459
Capital assets, net	\$ 5,687,545	\$ 752,196	\$ -	\$ -	\$ 6,439,741

Construction in progress as of December 31, 2022, consisted of a facility renovation with an estimated total cost of approximately \$40 million and an estimated date of completion to be determined.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

6. Long-term Debt and Lease Liability:

A schedule of changes in the District’s long-term debt and lease liability follows:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amount Due Within One Year
<i>Bond and notes payable</i>					
Bank of America financing agreement	\$ 2,000,000	\$ -	\$ (389,437)	\$ 1,610,563	\$ 394,648
Real estate contract	249,271	-	(60,611)	188,660	61,788
Promissory note	495,329	-	(161,821)	333,508	165,088
Total bond and notes payable	2,744,600	-	(611,869)	2,132,731	621,524
<i>Lease liability</i>	54,406	-	(18,695)	35,711	22,865
Total long-term debt and lease liability	\$ 2,799,006	\$ -	\$ (630,564)	\$ 2,168,442	\$ 644,389

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amount Due Within One Year
<i>Bond and notes payables</i>					
Health Facilities Revenue Bond, 2007	\$ 3,644,011	\$ -	\$ (3,644,011)	\$ -	\$ -
Bank of America financing agreement	-	2,000,000	-	2,000,000	389,437
Real estate contract	-	309,034	(59,763)	249,271	60,388
Promissory note	-	653,949	(158,620)	495,329	161,822
Total bond and notes payable	3,644,011	2,962,983	(3,862,394)	2,744,600	611,647
<i>Lease liability</i>	112,042	-	(57,636)	54,406	17,951
Total long-term debt and lease liability	\$ 3,756,053	\$ 2,962,983	\$ (3,920,030)	\$ 2,799,006	\$ 629,598

Long-term debt and lease liability – The terms and due dates of the District’s long-term debt, including lease liability are as follows:

- **Long-term debt** – Health Facilities Revenue Bond, 2007, dated January 2, 2007, in the original amount of \$5,000,000, for the purpose of improvements and expansion of District facilities. The bond was refinanced with the Bank of America loan in December 2021.

Bank of America financing agreement dated December 10, 2021, in the original amount of \$2,000,000, for the purpose of refinancing the remaining balance of the Tax Exempt Revenue Bond. The loan is payable in monthly principal and interest installments of approximately \$34,000, including interest at 1.33 percent, due through 2026.

Real estate contract dated January 1, 2021, in the original amount of \$309,034, for the purpose of purchasing the Republic Drug Store real estate. The loan is seller financed and payable in monthly principal and interest installments of approximately \$5,400, including interest at 2.00 percent, due through 2025.

Promissory note dated January 1, 2021, in the original amount of \$653,949, for the purpose of purchasing the Republic Drug Store business. The loan is seller financed and payable in monthly principal and interest installments of approximately \$14,000, including interest at 2.00 percent, due through 2024.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

6. Long-term Debt and Lease Liability (continued):

Long-term debt and lease liability (continued) –

- **Lease liability** – Payable to Carefusion Solutions, LLC., for a pharmaceutical system in the amount of \$85,058 due in monthly installments of \$2,454, including interest at 2.00 percent, through June 2024.

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

Scheduled principal and interest payments on long-term debt and lease liability follow:

Years Ending December 31,	Notes Payable			Lease Liability			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 621,524	\$ 27,396	\$ 648,920	\$ 22,865	\$ 6,745	\$ 29,610	\$ 644,389	\$ 34,141	\$ 678,530
2024	631,376	17,542	648,918	12,846	1,182	14,028	644,222	18,724	662,946
2025	469,126	9,081	478,207	-	-	-	469,126	9,081	478,207
2026	410,705	2,965	413,670	-	-	-	410,705	2,965	413,670
	\$ 2,132,731	\$ 56,984	\$ 2,189,715	\$ 35,711	\$ 7,927	\$ 43,638	\$ 2,168,442	\$ 64,911	\$ 2,233,353

7. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District’s provisions for bad debts and writeoffs decreased due to more patients applying and qualifying for the District’s charity care program. The District has not changed its charity care or uninsured discount policies during fiscal years 2022 or 2021.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. 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:

	2022	2021
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 9,772,755	\$ 10,328,901
Medicaid	3,456,741	3,219,759
Other third-party payors	3,800,532	3,434,020
Patients	1,146,927	988,634
340B contract pharmacy	513,442	354,793
	18,690,397	18,326,107
Less:		
Charity care	416,440	94,938
Provision for bad debts	322,454	767,783
Net patient service revenue	\$ 17,951,503	\$ 17,463,386

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 its clinic a rural health clinic by Medicare and as such it is reimbursed for most inpatient, swing bed, and outpatient services on a cost basis as defined and limited by the Medicare program. Non-rural health clinic physician services are reimbursed on a fee schedule. The Medicare program’s administrative procedures preclude final determination of amounts due to the District for such services until three years after the District’s cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor.
- *Medicaid* – The majority of Medicaid beneficiaries are covered through health maintenance organizations operated by commercial insurance companies. The District is reimbursed for inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses for the District.

The District has also entered into payment agreements with certain commercial insurance carriers, 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.

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.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Net Patient Service Revenue (continued):

Net patient service revenue increased by approximately \$281,000 and decreased by approximately \$20,000 in the years ended December 31, 2022 and 2021, respectively, due to differences between original estimates and preliminary settlements.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2022 and 2021, were approximately \$277,000 and \$59,000, respectively.

8. Retirement Plans:

The District has a Section 457(b), a defined contribution pension plan, for its full-time, part-time, and as-needed (PRN) employees. The Section 457(b) defined contribution plan is administered by Lincoln Financial Group.

Benefit terms, including contribution requirements, for the Section 457(b) defined contribution retirement plan are established and may be amended by the Board of Commissioners. Under the plan, all full-time, part-time, and PRN employees can begin contributing to their 457(b) retirement plan immediately upon employment. Under the plan, employees may contribute up to 50 percent of their gross compensation, including any bonuses or special payments, through payroll deductions, up to a maximum amount per year established by the Internal Revenue Service. If employees are age 50 or over, they may also be eligible for catch-up contributions. The plan provides for matching contributions by the District for full and part-time employees after the employee has completed the introductory period, up to 3 percent. The matching contribution amount is also set and approved by the Board of Commissioners.

Employees are immediately vested in their own contributions and earnings and District contributions are immediately 100 percent vested. The District's contributions to the plan were approximately \$102,000 and \$110,000 for the years ended December 31, 2022 and 2021, respectively. The District's employees' contributions to the plan were approximately \$253,000 and \$270,000 for 2022 and 2021, respectively.

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

9. Other Postemployment Benefits Other than Pensions (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 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.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Other Postemployment Benefits Other than Pensions (OPEB) (continued):

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

Plan Members	2022
Inactive employees or beneficiaries currently receiving benefit payments	0
Active plan members	153
Total plan members	153

Total OPEB liability – The District’s total OPEB liability of \$1,046,706 was measured as of December 31, 2021, 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:

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

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

9. Other Postemployment Benefits Other than Pensions (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 2021, the Medicare subsidy amount was \$183. The Medicare subsidy amount is assumed to remain at \$183 through 2023, after which is assumed to increase with trend.

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

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

Retirement eligibility – Members are eligible for service retirement at age 55 with 20 years of service or age 65 with 5 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. 35 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. 35 percent of members are assumed to enroll eligible spouses in dental 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 one year 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, 2021. This is the date as of which the total OPEB liability is determined. GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. Other Postemployment Benefits Other than Pensions (OPEB) (continued):

Selection of carrier (continued) – There are no changes in the total OPEB liability in the year of inception.

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 year ended December 31, 2022, that is one percentage point lower, or one percentage point higher than the current discount rate:

	2022		
	1% Decrease	Discount Rate	1% Increase
	1.06%	2.06%	3.06%
Total OPEB liability	\$ 1,301,795	\$ 1,046,706	\$ 847,810

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:

	2022		
	1% Decrease	Current	1% Increase
	1% Decrease	Trend Rates	1% Increase
Total OPEB liability	\$ 805,072	\$ 1,046,706	\$ 1,380,574

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended December 31, 2021, the District recognized no OPEB expense. The District reported no deferred outflows or deferred inflows of resources related to OPEB.

Contributions made subsequent to the measurement date will be charged to OPEB expense in 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be charged (credited) to OPEB expense.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

10. Risk Management and Contingencies:

Medical malpractice claims – The District has professional liability insurance coverage offered by Coverys. 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 Coverys on a “claims-made” basis. The excess malpractice insurance provides \$1,000,000 per claim of primary coverage with an aggregate limit of \$5,000,000. The policy has no deductible.

No liability has been accrued for future coverage for acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

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. Unemployment compensation expenses under the plan were approximately \$53,000 and \$49,000 in 2022 and 2021, respectively.

The District insures for workers’ compensation through the state of Washington’s Department of Labor & Industries (L&I). L&I manages all claims and pays benefits out of an insurance pool called the Washington State Fund. The fund is financed by premiums paid by employers and employees. Premiums are charged to operations as they are incurred. The District recognized dividends of approximately \$25,000 and \$32,000, from the Public Hospital District Workers’ Compensation Fund, which was offset against workers’ compensation expense in 2022 and 2021, respectively. Workers’ compensation expense was approximately \$111,000 and \$92,000 in 2022 and 2021, respectively.

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.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

10. Risk Management and Contingencies (continued):

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.

11. 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 Ferry County.

The mix of receivables from patients follows:

	2022	2021
Medicare	32 %	36 %
Medicaid	22	19
Other third-party payors	28	23
Patients	18	22
	100 %	100 %

Collective bargaining units – Effective March 21, 2020, the District renewed its contract with a labor union. As of December 31, 2022 and 2021, approximately 9 percent of the District’s employees were represented under a collective bargaining agreement with United Food & Commercial Workers Union Local 21. The contract is effective through July 31, 2024.

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

12. Paycheck Protection Program (PPP) Note Payable:

In April 2020, the District was granted a loan from Washington Federal Bank in the aggregate amount of \$1,280,228, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act which was enacted March 27, 2020.

The District received forgiveness of the PPP loan in January 2021. The loan forgiveness has been recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position.

13. CARES Act Provider Relief Fund and American Rescue Plan Funds:

The District received approximately \$4,571,000 of funding from the CARES Act Provider Relief Fund and American Rescue Plan funds. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. In 2021, the District paid back approximately \$2,211,000 of the funds received due to not using these funds by the date prescribed in the CARES Act.

During the years ended December 31, 2022 and 2021, the District recognized grant revenue from these funds of approximately \$573,000 and \$974,000, respectively.

SUPPLEMENTAL SCHEDULES

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended December 31, 2022

Total OPEB liability	<u>\$ 1,046,706</u>
Covered-employee payroll	<u><u>\$ 6,682,062</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>15.66%</u></u>

Notes to Schedule:

Changes in benefit terms – Not applicable as 2022 is the District's first year participating in OPEB.

Changes in assumptions – Not applicable as 2022 is the District's first year participating in OPEB.

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

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Schedule of Divisional Statement of Net Position
December 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Assisted					Totals
	Hospital	Living Facility	Retail Pharmacy	Eliminations		
<i>Current assets</i>						
Cash and cash equivalents	\$ 5,863,678	\$ 76,579	\$ 523,014	\$ -	\$ -	\$ 6,463,271
Receivables:						
Patient accounts	3,177,887	99,937	-	-	-	3,277,824
Taxes	29,764	-	-	-	-	29,764
Estimated third-party payor settlements	492,775	-	-	-	-	492,775
Other	12,598	-	389,733	-	-	402,331
Inventories	280,947	-	262,739	-	-	543,686
Prepaid expenses	160,192	-	-	-	-	160,192
Total current assets	10,017,841	176,516	1,175,486	-	-	11,369,843
<i>Noncurrent assets</i>						
Interdivisional receivables	2,371,824	-	-	(2,371,824)	-	-
Capital assets, net of accumulated depreciation	5,892,608	-	294,102	-	-	6,186,710
Total noncurrent assets	8,264,432	-	294,102	(2,371,824)	-	6,186,710
<i>Deferred outflows of resources, goodwill</i>	-	-	404,927	-	-	404,927
Total assets and deferred outflows of resources	\$ 18,282,273	\$ 176,516	\$ 1,874,515	\$ (2,371,824)	\$ -	\$ 17,961,480
<i>LIABILITIES AND NET POSITION</i>						
LIABILITIES AND NET POSITION	Assisted					Totals
	Hospital	Living Facility	Retail Pharmacy	Eliminations		
<i>Current liabilities</i>						
Accounts payable	\$ 501,733	\$ 1,669	\$ 44,030	\$ -	\$ -	\$ 547,432
Capital accounts payable	5,942	-	-	-	-	5,942
Accrued compensation and related liabilities	603,165	39,679	36,710	-	-	679,554
Estimated third-party payor settlements	-	-	-	-	-	-
Unearned CARES Act Provider Relief Fund and American Rescue Plan funds	-	-	-	-	-	-
Unearned other COVID relief funds	-	-	3,789	-	-	3,789
Current maturities of long-term debt	394,648	-	226,876	-	-	621,524
Current maturities of lease liability	22,865	-	-	-	-	22,865
Total current liabilities	1,528,353	41,348	311,405	-	-	1,881,106
<i>Noncurrent liabilities</i>						
Interdivision payables	-	2,279,322	92,502	(2,371,824)	-	-
Long-term debt, less current maturities	1,215,915	-	295,292	-	-	1,511,207
Lease liability, less current maturities	12,846	-	-	-	-	12,846
Other postemployment benefits liability	1,046,706	-	-	-	-	1,046,706
Total noncurrent liabilities	2,275,467	2,279,322	387,794	(2,371,824)	-	2,570,759
Total liabilities	3,803,820	2,320,670	699,199	(2,371,824)	-	4,451,865
<i>Net position</i>						
Net investment in capital assets	4,240,392	-	105,442	-	-	4,345,834
Unrestricted	10,238,061	(2,144,154)	1,069,874	-	-	9,163,781
Total net position	14,478,453	(2,144,154)	1,175,316	-	-	13,509,615
Total liabilities and net position	\$ 18,282,273	\$ 176,516	\$ 1,874,515	\$ (2,371,824)	\$ -	\$ 17,961,480

See accompanying independent auditors' report.

Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Schedule of Divisional Statement of Revenues, Expenses,
and Changes in Net Position
Year Ended December 31, 2022

	Hospital	Assisted Living Facility	Retail Pharmacy	Eliminations	Totals
<i>Operating revenues</i>					
Net patient service revenue	\$ 17,356,547	\$ 594,956	\$ -	\$ -	\$ 17,951,503
Retail pharmacy	-	-	3,256,445	-	3,256,445
Grants	127,889	-	-	-	127,889
Other	163,281	23	350,531	-	513,835
Total operating revenues	17,647,717	594,979	3,606,976	-	21,849,672
<i>Operating expenses</i>					
Salaries and wages	8,335,656	405,379	394,538	-	9,135,573
Employee benefits	1,881,875	126,601	95,552	-	2,104,028
Other postemployment benefits	1,046,706	-	-	-	1,046,706
Professional fees and purchased services	3,795,469	84,293	215,035	(67,436)	4,027,361
Supplies	1,584,839	26,029	2,128,891	-	3,739,759
Utilities	262,276	12,094	20,806	-	295,176
Rentals and leases	47,018	206,835	-	(206,835)	47,018
Repairs and maintenance	258,762	-	-	-	258,762
Depreciation and amortization	897,498	-	39,020	-	936,518
Insurance	141,648	-	-	-	141,648
Other	449,068	11,650	103,110	-	563,828
Total operating expenses	18,700,815	872,881	2,996,952	(274,271)	22,296,377
<i>Operating income (loss)</i>	(1,053,098)	(277,902)	610,024	274,271	(446,705)
<i>Nonoperating revenues (expenses)</i>					
CARES Act Provider Relief Fund and American Rescue Plan funds	572,969	-	-	-	572,969
Other COVID relief funds	236,109	-	-	-	236,109
Tax revenue	389,476	-	-	-	389,476
Nonoperating revenue	305,458	-	-	(274,271)	31,187
Interest income	7,238	-	-	-	7,238
Interest expense	(35,198)	-	(12,869)	-	(48,067)
Total nonoperating revenues (expenses), net	1,476,052	-	(12,869)	(274,271)	1,188,912
Change in net position	422,954	(277,902)	597,155	-	742,207
Net position, beginning of year	14,055,499	(1,866,252)	578,161	-	12,767,408
Net position, end of year	\$ 14,478,453	\$ (2,144,154)	\$ 1,175,316	\$ -	\$ 13,509,615

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
Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Republic, 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 Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital (the District) as of and for the year ended December 31, 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, and have issued our report thereon dated February 13, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Spokane Valley, Washington
February 13, 2024



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

Board of Commissioners
Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Republic, Washington

Report on Compliance for the Major Federal Program

Opinion on the District's Major Federal Program

We have audited Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital's (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, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

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; 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

DBA

Spokane Valley, Washington
February 13, 2024

**Ferry County Public Hospital District No. 1
 doing business as Ferry County Memorial Hospital
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

 X yes no
 yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards:

Internal control over major federal reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

 yes X no
 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)?

 yes X 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

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2022**

Section II – Financial Statement Findings

2022–001 Auditor Detected Adjusting Journal Entries

<i>Condition</i>	There were material adjustments to the accounts payable, deferred Provider Relief Funds, deferred grant revenue, Provider Relief Funds revenue, and grant revenue prepared by the audit team. In addition, material revisions were required to accurately report expenditures on the schedule of expenditures of federal awards (SEFA).
<i>Criteria</i>	[] Compliance Finding [] Significant Deficiency [X] Material Weakness Adjusting journal entries should not be detected by the auditors during the audit process.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	The accounts payable, deferred Provider Relief Funds, deferred grant revenue, Provider Relief Fund revenue, and grant revenue were not properly identified and recorded. Federal awards and the related expenditures were not properly identified and reported on the unadjusted SEFA.
<i>Effect</i>	Financial reports may be inaccurate and could affect management and board decision making.
<i>Recommendation</i>	We recommend a thorough review process to capture all outstanding accounts payable in the proper fiscal year based on when services were received. We also recommend management implement a system to ensure deferred grant and Provider Relief Funds are recognized as revenue in the fiscal year earned. We recommend federal expenditures reported on the SEFA are reconciled to the underlying data in the financial system on a regular basis.
<i>View of Responsible Officials</i>	In order to ensure all accounts are correct, a monthly checklist was developed and implemented. All balance sheets are reviewed and reconciled by year-end audit with no summary trial balance transmitting until at least 95% completion. A spreadsheet has been implemented for 2023 fiscal year.

Section III – Federal Award Findings and Questioned Costs

There are no matters reported for 2022.

AUDITEE'S SECTION

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

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 Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	\$ 572,969
U.S. Department of Health and Human Services Pass-through Programs From:				
<i>Washington State Department of Health</i>				
Small Rural Hospital Improvement Program	93.301	HSP26273		12,377
Small Rural Hospital Improvement Program	93.301	5H3HRH00005-21		12,598
Small Rural Hospital Improvement Program	93.301	Not available	COVID-19	83,136
Rural Health Research Centers	93.155	H3LRH42245-01	COVID-19	236,109
Total Washington State Department of Health				344,220
Total expenditures of federal awards				\$ 917,189

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 Ferry County Public Hospital District No. 1 doing business as Ferry County Memorial Hospital (the District) under programs of the federal government for the year ended December 31, 2022. 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 December 31, 2022, 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 the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Corrective Action Plan
Year Ended December 31, 2022**



The current year Schedule of Findings and Questioned Costs reported one matter in Section II – Financial Statement Findings.

2022-001 Auditor Detected Adjusting Journal Entries

***Corrective action
planned:***

The implementation of the balance sheet reconciliations will ensure that adjusting journals are caught and dealt with before audit begins.

***Anticipated
completion date:***

March 31, 2024

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

Jennifer Reed, CEO/CFO

**Ferry County Public Hospital District No. 1
doing business as Ferry County Memorial Hospital
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2022**

2021-001 Auditor Detected Journal Entries

Status: Not corrected, repeated as 2022-001

Fiscal year of initial occurrence: 2018

Planned corrective action: See corrective action plan, anticipated completion date, and contact person(s) for corrective action on finding 2022-001 above.