

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

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2023 and 2022

**Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
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## 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in 2023 the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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' 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 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. These procedures consisted of inquiries of management about methods of preparing the information, as well as 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. 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. Such procedures included comparing and reconciling such information directly to the underlying accounting, as well as 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 10, 2025, 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 February 13, 2024, which has not been included with the 2023 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 PLLC***

Spokane Valley, Washington  
February 10, 2025

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Basic 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	\$ 3,757,351	\$ 6,463,271
Receivables:		
Patient accounts	4,445,493	3,277,824
Taxes	28,497	29,764
Estimated third-party payor settlements	588,174	492,775
Other	440,159	402,331
Inventories	500,459	543,686
Prepaid expenses	143,461	160,192
Total current assets	9,903,594	11,369,843
<i>Noncurrent assets</i> – capital assets, net of accumulated depreciation	6,082,248	6,186,710
<i>Deferred outflows of resources</i>		
Goodwill	373,778	404,927
OPEB	2,161	-
Total deferred outflows of resources	375,939	404,927
<b>Total assets and deferred outflows of resources</b>	<b>\$ 16,361,781</b>	<b>\$ 17,961,480</b>

*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, 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	\$ 1,004,558	\$ 547,432
Capital accounts payable	-	5,942
Accrued compensation and related liabilities	797,846	679,554
Unearned grant funds	3,681	3,789
Current maturities of long-term debt	630,547	621,524
Current maturities of lease and subscription liabilities	214,603	22,865
Total current liabilities	2,651,235	1,881,106
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	880,514	1,511,207
Lease and subscription liabilities, less current maturities	16,386	12,846
Other postemployment benefits liability	902,367	1,046,706
Total noncurrent liabilities	1,799,267	2,570,759
Total liabilities	4,450,502	4,451,865
<i>Deferred inflows of resources, OPEB</i>	332,428	-
<i>Net position</i>		
Net investment in capital assets	4,504,477	4,345,834
Unrestricted	7,074,374	9,163,781
Total net position	11,578,851	13,509,615
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 16,361,781</b>	<b>\$ 17,961,480</b>

*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, 2023 and 2022**

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 17,756,619	\$ 17,951,503
Retail pharmacy	3,055,613	3,256,445
Grants	58,495	127,889
Other	522,300	513,835
<b>Total operating revenues</b>	<b>21,393,027</b>	<b>21,849,672</b>
<i>Operating expenses</i>		
Salaries and wages	10,535,937	9,135,573
Employee benefits	2,569,506	2,104,028
Other postemployment benefits	188,675	1,046,706
Professional fees and purchased services	4,365,547	4,027,361
Supplies	3,630,643	3,739,759
Utilities	285,701	295,176
Rentals and leases	54,592	47,018
Repairs and maintenance	232,709	258,762
Depreciation and amortization	1,148,443	936,518
Insurance	147,890	141,648
Other	575,332	563,828
<b>Total operating expenses</b>	<b>23,734,975</b>	<b>22,296,377</b>
<i>Operating loss</i>	<b>(2,341,948)</b>	<b>(446,705)</b>
<i>Nonoperating revenues (expenses)</i>		
CARES Act Provider Relief Fund and American Rescue Plan funds	-	572,969
Other COVID relief funds	-	236,109
Tax revenue	388,804	389,476
Nonoperating revenue	62,295	31,187
Interest income	-	7,238
Interest expense	(39,915)	(48,067)
<b>Total nonoperating revenues, net</b>	<b>411,184</b>	<b>1,188,912</b>
Change in net position	<b>(1,930,764)</b>	742,207
Net position, beginning of year	<b>13,509,615</b>	12,767,408
<b>Net position, end of year</b>	<b>\$ 11,578,851</b>	<b>\$ 13,509,615</b>

*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, 2023 and 2022**

	2023	2022
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 16,493,551	\$ 16,685,796
Cash received from retail pharmacy	3,095,789	3,024,445
Cash received from operating grants	58,495	127,889
Cash received from other revenue	444,296	479,051
Cash paid to and on behalf of employees	(12,989,898)	(11,132,323)
Cash paid to suppliers and contractors	(8,744,181)	(9,709,382)
Net cash from operating activities	<b>(1,641,948)</b>	<b>(524,524)</b>
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	390,071	374,761
Nonoperating activities	62,295	31,187
Other grant funds	(108)	(84,625)
Net cash from noncapital financing activities	<b>452,258</b>	<b>321,323</b>
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(773,687)	(775,289)
Principal paid on long-term debt	(621,670)	(611,869)
Principal paid on lease liabilities	(80,958)	(18,695)
Interest paid on long-term debt and lease liabilities	(39,915)	(48,067)
Net cash from capital and related financing activities	<b>(1,516,230)</b>	<b>(1,453,920)</b>
<i>Cash flows from investing activities</i>		
Interest income	-	7,238
Net decrease in cash and cash equivalents	<b>(2,705,920)</b>	<b>(1,649,883)</b>
Cash and cash equivalents, beginning of year	<b>6,463,271</b>	<b>8,113,154</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,757,351</b>	<b>\$ 6,463,271</b>

*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, 2023 and 2022**

	2023	2022
<b><i>Reconciliation of Operating Loss to Net Cash</i></b>		
<b><i>From Operating Activities</i></b>		
Operating loss	\$ (2,341,948)	\$ (446,705)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	1,148,443	936,518
Goodwill amortization	31,149	31,148
Provision for bad debts	1,556,602	322,454
Other postemployment benefits	(144,339)	1,046,706
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(2,724,271)	(1,023,316)
Estimated third-party payor settlements	(95,399)	(490,845)
Other	(37,828)	(266,784)
Inventories	43,227	(60,708)
Deferred outflows of resources, other postemployment benefits	(2,161)	-
Prepaid expenses	16,731	(32,085)
Increase (decrease) in liabilities:		
Accounts payable	457,126	(574,185)
Deferred inflows of resources, other postemployment benefits	332,428	-
Accrued compensation and related liabilities	118,292	107,278
Estimated third-party payor settlements	-	(74,000)
<b>Net cash from operating activities</b>	<b>\$ (1,641,948)</b>	<b>\$ (524,524)</b>

***Noncash capital financing activities***

During the year ended December 31, 2023, the District recorded \$255,791 of subscription assets and subscription liabilities from the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

The District recorded \$105,503 of right-of-use assets and lease liabilities in 2023.

*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, 2023 and 2022**

**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: Ferry County Memorial Hospital, a 25-bed critical access hospital; Klondike Hills Assisted Living, a 16-bed assisted living facility; and Republic Drug Store, a retail pharmacy. All are 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, deferred outflows of resources, liabilities, and 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* – 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 include 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, 2023 and 2022**

**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, 2023 or 2022. *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, 2023 and 2022**

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

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

*Change in accounting principle* – In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA.

The District adopted Statement No. 96 during the year ended December 31, 2023. The District did not restate the financial statements for the year ended December 31, 2022, for GASB No. 96, due to insufficient resources available to do so, and due to management's determination that the restatement would not provide significant benefit to the financial statement users.

*Subsequent events* – Subsequent events have been reviewed through February 10, 2025, 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.

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible 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:

	<b>2023</b>	<b>2022</b>
Receivables from patients and their insurance carriers	\$ 1,992,934	\$ 1,980,891
Receivables from Medicare	2,369,797	1,214,546
Receivables from Medicaid	1,107,615	625,807
Total patient accounts receivable	<b>5,470,346</b>	3,821,244
Less allowance for uncollectible accounts	<b>1,024,853</b>	543,420
<b>Patient accounts receivable, net</b>	<b>\$ 4,445,493</b>	<b>\$ 3,277,824</b>

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**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 \$0.64 and \$0.72 per \$1,000 on a total assessed valuation of \$571,570,871 and \$496,694,263. The total regular levy was \$364,409 and \$355,757 for the years ended December 31, 2023 and 2022, respectively.

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

**5. 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, other than lease assets and subscription 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. Lease assets and subscription assets are stated at the present value of the future payments under the agreement, plus any payments made at or before the start of the contract and costs to place the asset in service. 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. Lease and subscription assets are amortized on the straight-line method over the shorter period of the lease or subscription term or the estimated life of the assets. 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
Lease right-of-use assets, equipment	5 years
Subscription assets	2 to 3 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, 2023 and 2022**

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

Capital asset 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	\$ 47,282	\$ -	\$ -	\$ -	\$ 47,282
Construction in progress	56,478	111,703	-	-	168,181
Total capital assets not being depreciated	103,760	111,703	-	-	215,463
<i>Capital assets being depreciated</i>					
Land improvements	811,390	-	-	-	811,390
Buildings and fixtures	9,217,231	60,684	-	-	9,277,915
Fixed equipment	2,148,208	-	-	-	2,148,208
Movable equipment	5,711,988	595,358	(9,752)	-	6,297,594
Lease right-of-use assets, equipment	85,058	20,445	-	-	105,503
Subscription assets	-	255,791	-	-	255,791
Total capital assets being depreciated	17,973,875	932,278	(9,752)	-	18,896,401
<i>Less accumulated depreciation for</i>					
Land improvements	286,847	47,599	-	-	334,446
Buildings and fixtures	5,713,458	464,046	-	-	6,177,504
Fixed equipment	1,811,447	32,767	-	-	1,844,214
Movable equipment	4,018,215	485,565	(9,752)	-	4,494,028
Lease right-of-use assets, equipment	60,958	17,012	-	-	77,970
Subscription assets	-	101,454	-	-	101,454
Total accumulated depreciation	11,890,925	1,148,443	(9,752)	-	13,029,616
Total capital assets being depreciated, net	6,082,950	(216,165)	-	-	5,866,785
<b>Capital assets, net</b>	<b>\$ 6,186,710</b>	<b>\$ (104,462)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,082,248</b>

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

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

Capital asset 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	-	(85,058)	5,711,988
Lease right-of-use assets, equipment	-	-	-	85,058	85,058
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	373,084	-	(43,946)	4,018,215
Lease right-of-use assets, equipment	-	17,012	-	43,946	60,958
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
<b>Capital assets, net</b>	<b>\$ 6,439,741</b>	<b>\$ (253,031)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,186,710</b>

Construction in progress as of December 31, 2023, consisted of:

- A hospital building renovation and modernization project with an estimated total cost of approximately \$60 million and an estimated date of completion of fall 2027. The project is currently in the preliminary design phase and will be paid for with United States Department of Agriculture financing.
- A mobile integrated health project with an estimated total cost of approximately \$90,000 that was completed in June 2024.

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

**6. Long-term Debt and Other Noncurrent Liabilities:**

Schedules of changes in the District's long-term debt and other noncurrent liabilities are as follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amount Due Within One Year
<i>Bond and notes payable</i>					
Bank of America financing agreement	\$ 1,610,563	\$ -	\$ (394,649)	\$ 1,215,914	\$ 399,311
Real estate contract	188,660	-	(61,933)	126,727	62,816
Promissory note	333,508	-	(165,088)	168,420	168,420
Total bond and notes payable	2,132,731	-	(621,670)	1,511,061	630,547
<i>Lease and subscription liabilities</i>	35,711	276,236	(80,958)	230,989	214,603
<b>Total long-term debt, lease, and subscription liabilities</b>	<b>\$ 2,168,442</b>	<b>\$ 276,236</b>	<b>\$ (702,628)</b>	<b>\$ 1,742,050</b>	<b>\$ 845,150</b>

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amount Due Within One Year
<i>Bond and notes payables</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
<b>Total long-term debt and lease liability</b>	<b>\$ 2,799,006</b>	<b>\$ -</b>	<b>\$ (630,564)</b>	<b>\$ 2,168,442</b>	<b>\$ 644,389</b>

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

- **Long-term debt** – 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.

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**Years Ended December 31, 2023 and 2022**

**6. Long-term Debt and Other Noncurrent Liabilities (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.
- Lease liability payable to Quality Business Systems, Inc., for a server system in the amount of \$20,445 due in monthly installments of \$344, including interest at 2.00 percent, through October 2028.
- Subscription liability payable to 3M Health Information Systems, Inc, for software in the amount of \$22,588 due in annual installments of \$23,159, including interest at 2.50 percent, through August 2024.
- Subscription liability payable to Darktrace Holdings Limited for software in the amount of \$69,441 due in annual installments of \$36,043, including interest at 2.50 percent, through October 2025.
- Subscription liability payable to Secure Exchange Solutions, Inc., for software in the amount of \$163,762, due in annual installments of \$85,000, including interest at 2.50 percent, through July 2025.
- 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, lease, and subscription liabilities follow:

Years Ending December 31,	Notes Payable		
	Principal	Interest	Total
2024	\$ 630,547	\$ 17,754	\$ 648,301
2025	469,388	9,078	478,466
2026	411,126	2,965	414,091
	<b>\$ 1,511,061</b>	<b>\$ 29,797</b>	<b>\$ 1,540,858</b>

Years Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2024	\$ 15,687	\$ 763	\$ 16,450
2025	4,075	55	4,130
2026	4,092	39	4,131
2027	4,108	23	4,131
2028	4,111	6	4,117
	<b>\$ 32,073</b>	<b>\$ 886</b>	<b>\$ 32,959</b>

Years Ending December 31,	Subscription Liabilities		
	Principal	Interest	Total
2024	\$ 198,916	\$ 7,127	\$ 206,043

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

**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 increased due to fewer 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 2023 or 2022.

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

	<b>2023</b>	<b>2022</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 10,769,068	\$ 9,772,755
Medicaid	3,540,479	3,456,741
Other third-party payors	3,322,921	3,800,532
Patients	1,081,071	1,146,927
340B contract pharmacy	771,548	513,442
	<b>19,485,087</b>	<b>18,690,397</b>
Less:		
Charity care	171,866	416,440
Provision for bad debts	1,556,602	322,454
<b>Net patient service revenue</b>	<b>\$ 17,756,619</b>	<b>\$ 17,951,503</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 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.

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

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

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.

Net patient service revenue increased by approximately \$1,000 and \$281,000 in the years ended December 31, 2023 and 2022, 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, 2023 and 2022, were approximately \$140,000 and \$320,000, 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.

Employee contributions and District contributions on behalf of employees are immediately 100 percent vested. The District's contributions to the plan were approximately \$127,000 and \$102,000 for the years ended December 31, 2023 and 2022, respectively. The District's employees' contributions to the plan were approximately \$300,000 and \$253,000 for 2023 and 2022, respectively.

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

**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.

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

<b>Plan Members</b>	<b>2023</b>	<b>2022</b>
Inactive employees or beneficiaries currently receiving benefit payments	<b>0</b>	<b>0</b>
Active plan members	<b>153</b>	<b>153</b>
<b>Total plan members</b>	<b>153</b>	<b>153</b>

**Total OPEB liability** – The District’s total OPEB liability of \$902,367 and \$1,046,706 was measured as of December 31, 2022 and 2021, respectively, and were determined by an actuarial valuation as of July 1, 2022.

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

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

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

Inflation – 2.35 percent

Salary increases – 3.25 percent average, including inflation

Healthcare cost trend rates – As follows:

Year	Pre-65 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%

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 3.72 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. 30 percent of members are assumed to elect dental benefits upon retirement.

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**Notes to Basic Financial Statements (Continued)**  
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**9. Other Postemployment Benefits Other than Pensions (OPEB) (continued):**

*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. 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.

Changes in the total OPEB liability:

	<u>2023</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 199,539
Interest on total OPEB liability	25,667
Changes in benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumptions changes or other inputs	(368,959)
Expected benefit payments	(586)
Net change in total OPEB liability	<u>(144,339)</u>
Total OPEB liability - beginning	1,046,706
Total OPEB liability	<u>\$ 902,367</u>
Covered-employee payroll	<u>\$ 7,295,500</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>12.37%</u>

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

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

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

*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</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>2.72%</b>	<b>3.72%</b>	<b>4.72%</b>
Total OPEB liability	\$ 1,103,845	\$ 902,367	\$ 743,946

  

	<b>2022</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>1.06%</b>	<b>2.06%</b>	<b>3.06%</b>
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:

	<b>2023</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
		<b>Trend Rates</b>	
Total OPEB liability	\$ 708,090	\$ 902,367	\$ 1,166,242

  

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

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

**9. Other Postemployment Benefits Other than Pensions (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 \$188,675 and \$1,046,706, respectively. The District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

<b>2023</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	(332,428)	-
Contributions made subsequent to the measurement date	-	2,161
<b>Total</b>	<b>\$ (332,428)</b>	<b>\$ 2,161</b>

Contributions made subsequent to the measurement date will be charged to OPEB expense in 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be charged (credited) to OPEB expense as follows:

<b>December 31,</b>	<b>Amount</b>
2024	\$ 36,531
2025	36,531
2026	36,531
2027	36,531
2028	36,531
Thereafter	149,773

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

**10. Risk Management and Contingencies:**

*Medical malpractice claims* – The District switched professional liability insurance coverage from Coverys to Medchoice Risk Retention Group effective July 1, 2023. Each 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 Medchoice Risk Retention Group on a “claims-made” basis. The excess malpractice insurance provides \$1,000,000 per claim of primary coverage with an aggregate limit of \$1,000,000. 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 \$65,000 and \$53,000 in 2023 and 2022, 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 \$21,000 and \$25,000 from the Public Hospital District Workers’ Compensation Fund, which was offset against workers’ compensation expense in 2023 and 2022, respectively. Workers’ compensation expense was approximately \$157,000 and \$111,000 in 2023 and 2022, 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**  
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**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2023 and 2022**

**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:

	<b>2023</b>	<b>2022</b>
Medicare	<b>40 %</b>	32 %
Medicaid	<b>24</b>	22
Other third-party payors	<b>21</b>	28
Patients	<b>15</b>	18
	<b>100 %</b>	100 %

*Collective bargaining units* – Effective August 31, 2023, the District renewed its contract with a labor union. As of December 31, 2023 and 2022, approximately 32 percent and 9 percent of the District’s employees were represented under a collective bargaining agreement with United Food & Commercial Workers Union Local 3000 and United Food & Commercial Workers Union Local 21, respectively. The increase in employee union membership was due to additional types of employees covered under the renewed union contract. The contract is effective through August 30, 2026.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2023**

	<u>2023</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 199,539
Interest on total OPEB liability	25,667
Changes in benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumptions changes or other inputs	(368,959)
Expected benefit payments	(586)
Net change in total OPEB liability	<u>(144,339)</u>
Total OPEB liability - beginning	1,046,706
Total OPEB liability	<u>\$ 902,367</u>
Covered-employee payroll	<u>\$ 7,295,500</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>12.37%</u>

**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 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.



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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 10, 2025.

**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. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we identify 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 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*.

### **The District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. 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 the response.

### **Purpose of this Report**

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

*D3A PLLC*

Spokane Valley, Washington  
February 10, 2025

**Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
Schedule of Findings and Responses  
Year Ended December 31, 2023**

**2023-001 Auditor Detected Adjusting Journal Entries**

<i>Condition</i>	Adjustments were proposed by the auditors to properly state net position and the allowance for patient accounts receivables.
<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>	Adjustments agreed to from the prior year's audit were not all posted to the accounting system. The patient accounts receivable from the legacy system was not included in the allowance for the patients accounts receivable calculation, essentially reporting those claims at the gross amount.
<i>Effect</i>	Net position and net income relied upon by the board during the year was not correct.
<i>Recommendation</i>	We recommend that at the conclusion of the audit, the District reconciles its trial balance with the agreed upon trial balance from the audit. We also recommend ensuring all patient accounts receivable are included in the calculation of allowance for patient accounts receivable.
<i>Management's Response</i>	We acknowledge the material weaknesses and will follow audit recommendations going forward. All adjustments have been incorporated and we will work with DZA to update our current allowance calculation.

**Ferry County Public Hospital District No. 1  
doing business as Ferry County Memorial Hospital  
Schedule of Prior Audit Findings  
Year Ended December 31, 2023**

<b>Prior-year Number</b>	<b>Description</b>	<b>Current Status</b>
2022-001	Auditor Detected Adjusting Journal Entries	Repeated as 2023-001

**SUPPLEMENTAL INFORMATION**

**Ferry County Public Hospital District No. 1**  
**doing business as Ferry County Memorial Hospital**  
**Schedule of Divisional Statement of Net Position**  
**December 31, 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Hospital	Assisted Living Facility	Retail Pharmacy	Eliminations	Totals
<i>Current assets</i>					
Cash and cash equivalents	\$ 2,798,106	\$ 18,735	\$ 940,510	\$ -	\$ 3,757,351
Receivables:					
Patient accounts	4,351,542	93,951	-	-	4,445,493
Taxes	28,497	-	-	-	28,497
Estimated third-party payor settlements	588,174	-	-	-	588,174
Other	38,897	-	401,262	-	440,159
Inventories	262,196	-	238,263	-	500,459
Prepaid expenses	143,461	-	-	-	143,461
Total current assets	8,210,873	112,686	1,580,035	-	9,903,594
<i>Noncurrent assets</i>					
Interdivisional receivables	2,672,894	-	-	(2,672,894)	-
Capital assets, net of accumulated depreciation	5,815,957	-	266,291	-	6,082,248
Total noncurrent assets	8,488,851	-	266,291	(2,672,894)	6,082,248
<i>Deferred outflows of resources</i>					
Goodwill	-	-	373,778	-	373,778
OPEB	2,161	-	-	-	2,161
Total deferred outflows of resources	2,161	-	373,778	-	375,939
<b>Total assets and deferred outflows of resources</b>	<b>\$ 16,701,885</b>	<b>\$ 112,686</b>	<b>\$ 2,220,104</b>	<b>\$ (2,672,894)</b>	<b>\$ 16,361,781</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Hospital	Assisted Living Facility	Retail Pharmacy	Eliminations	Totals
<i>Current liabilities</i>					
Accounts payable	\$ 804,207	\$ 18,242	\$ 182,109	\$ -	\$ 1,004,558
Accrued compensation and related liabilities	690,980	70,782	36,084	-	797,846
Unearned grant funds	-	-	3,681	-	3,681
Current maturities of long-term debt	399,929	-	230,618	-	630,547
Current maturities of lease and subscription liabilities	214,603	-	-	-	214,603
Total current liabilities	2,109,719	89,024	452,492	-	2,651,235
<i>Noncurrent liabilities</i>					
Interdivision payables	-	2,550,873	122,021	(2,672,894)	-
Long-term debt, less current maturities	815,985	-	64,529	-	880,514
Lease and subscription liabilities, less current maturities	16,386	-	-	-	16,386
Other postemployment benefits liability	902,367	-	-	-	902,367
Total noncurrent liabilities	1,734,738	2,550,873	186,550	(2,672,894)	1,799,267
Total liabilities	3,844,457	2,639,897	639,042	(2,672,894)	4,450,502
<i>Deferred inflows of resources, OPEB</i>					
	332,428	-	-	-	332,428
<i>Net position</i>					
Net investment in capital assets	4,364,913	-	139,564	-	4,504,477
Unrestricted	8,160,087	(2,527,211)	1,441,498	-	7,074,374
Total net position	12,525,000	(2,527,211)	1,581,062	-	11,578,851
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 16,701,885</b>	<b>\$ 112,686</b>	<b>\$ 2,220,104</b>	<b>\$ (2,672,894)</b>	<b>\$ 16,361,781</b>

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, 2023**

	Hospital	Assisted Living Facility	Retail Pharmacy	Eliminations	Totals
<i>Operating revenues</i>					
Net patient service revenue	\$ 17,082,846	\$ 673,773	\$ -	\$ -	\$ 17,756,619
Retail pharmacy	-	-	3,055,613	-	3,055,613
Grants	58,495	-	-	-	58,495
Other	198,026	-	324,274	-	522,300
<b>Total operating revenues</b>	<b>17,339,367</b>	<b>673,773</b>	<b>3,379,887</b>	<b>-</b>	<b>21,393,027</b>
<i>Operating expenses</i>					
Salaries and wages	9,569,744	518,405	447,788	-	10,535,937
Employee benefits	2,243,611	193,111	132,784	-	2,569,506
Other postemployment benefits	188,675	-	-	-	188,675
Professional fees and purchased services	4,235,557	90,250	115,884	(76,144)	4,365,547
Supplies	1,490,627	24,947	2,115,069	-	3,630,643
Utilities	259,007	12,822	13,872	-	285,701
Rentals and leases	54,592	206,835	-	(206,835)	54,592
Repairs and maintenance	232,709	-	-	-	232,709
Depreciation and amortization	1,120,632	-	27,811	-	1,148,443
Insurance	147,890	-	-	-	147,890
Other	452,220	10,460	112,652	-	575,332
<b>Total operating expenses</b>	<b>19,995,264</b>	<b>1,056,830</b>	<b>2,965,860</b>	<b>(282,979)</b>	<b>23,734,975</b>
<i>Operating income (loss)</i>	<b>(2,655,897)</b>	<b>(383,057)</b>	<b>414,027</b>	<b>282,979</b>	<b>(2,341,948)</b>
<i>Nonoperating revenues (expenses)</i>					
Tax revenue	388,804	-	-	-	388,804
Nonoperating revenue	345,274	-	-	(282,979)	62,295
Interest expense	(31,634)	-	(8,281)	-	(39,915)
<b>Total nonoperating revenues (expenses), net</b>	<b>702,444</b>	<b>-</b>	<b>(8,281)</b>	<b>(282,979)</b>	<b>411,184</b>
Change in net position	(1,953,453)	(383,057)	405,746	-	(1,930,764)
Net position, beginning of year	14,478,453	(2,144,154)	1,175,316	-	13,509,615
<b>Net position, end of year</b>	<b>\$ 12,525,000</b>	<b>\$ (2,527,211)</b>	<b>\$ 1,581,062</b>	<b>\$ -</b>	<b>\$ 11,578,851</b>

*See accompanying independent auditors' report.*