Certificate of Need Application
Hospital Projects

Exclude hospital projects for sale, purchase, or lease of a hospital, or skilled nursing beds. Use service-specific addendum, if applicable.

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990.

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington (RCW) 70.38 and WAC 246-310, rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.

Signature and Title of Responsible Officer: Craig Marks, CEO **Email Address:** cmarks@prosserhealth.org	**Date:** October 20, 2025 **Telephone Number:** 509-786-6695
Legal Name of Applicant: Prosser Public Hospital District dba Prosser Memorial Health **Address of Applicant:** 200 Prosser Health Drive Prosser, WA 99350	☒New hospital - Replacement Hospital ☐Expansion of existing hospital (identify facility name and license number) **Provide a brief project description, including the number of beds and the location.** Cost overrun amendment for construction of repalcememt hospital. **Estimated capital expenditure:** $97,852,200

Identify the Hospital Planning Area:

Benton/Franklin Hospital Planing Area

Identify if this project proposes the addition or expansion of one of the following services:

☐NICU Level II	☐ NICU Level III	☐ NICU Level IV	☐ Specialized Pediatric (PICU)	☐ Psychiatric (within acute care hospital)
☐ Organ Transplant (identify)	☐ Open Heart Surgery	☐ Elective PCI	☐ PPS-Exempt Rehab (indicate level)	☐ Specialty Burn Services

CERTIFICATE OF NEED AMENDMENT
CN #1943 COST OVERRUN
REPLACEMENT
OF
EXISTING HOSPITAL

October 20, 2025

INTRODUCTION

In May 2021, Prosser Public Hospital District dba Prosser Memorial Health (PMH) submitted a Certificate of Need Application (#21-69) for the replacement of our existing hospital. The estimated capital expenditure for the project was $64,707,545. The Department of Health approved the application with a notice of intent to issue a Certificate of Need in November of 2021. The actual Certificate of Need (CN#1943) was issued in September of 2022.

The project commenced in November 2022. The impact of COVID-19 on construction drove unprecedented increases in both labor and supply costs. Beginning with its Q2 2024 (April-June 2024) quarterly progress reports, PMH provided notice that capital costs exceeded 112% of the approved amount.

The project is now complete, and the replacement hospital became operational on February 1, 2025. The amended capital costs for the hospital replacement are $97,852,200. This CN application is an amendment for the cost overrun. We understand that the scope of this review is limited to the continued conformance of the project to the criteria in WAC 246-310-220.

SECTION 1
Applicant Description

1. **Provide the legal name and address of the applicant(s) as defined in WAC 246-310-010(6).**

The legal name of the applicant is Prosser Public Hospital District No. 1 dba Prosser Memorial Health (PMH).

As of February 1, 2025, the address of PMH is:

200 Prosser Health Drive
Prosser, WA 99350

2. **Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the unified business identifier (UBI).**

Prosser Public Hospital District was formed and continues to operate under the provisions of Chapter 70.44 RCW, Public Hospital District**.**

PMH's UBI number is: 035000951.

3. **Provide the name, title, address, telephone number, and email address of the contact person for this application.**

Questions regarding this application should be sent to:

Craig Marks, CEO
Prosser Memorial Health
200 Prosser Health Drive
Prosser, WA 99350
509-786-6695
Email: cmarks@pphdwa.org

4. **Provide the name, title, address, telephone number, and email address of the consultant authorized to speak on your behalf related to the screening of this application (if any).**

The consultant authorized to speak on behalf of the screening related to this application is:

Health Facilities Planning & Development
120 1st Avenue West, Suite 100
Seattle, WA 98119
(206) 441-0971
(206) 441-4823 (fax)
Email: healthfac@healthfacilitiesplanning.com

5. **Provide an organizational chart that clearly identifies the business structure of the applicant(s).**

This is an amended application solely for cost overruns. The organizational structure was approved in the original application. There is no change with this amendment application.

SECTION 2
Facility Description

1. **Provide the name and address of the existing facility.**

This is an amended application solely for cost overruns. The approved relocation and replacement of the existing hospital has been completed. The name and address of the replacement hospital, which opened in early 2025 is:

Prosser Memorial Health
200 Prosser Health Drive
Prosser, WA 99350

2. **Provide the name and address of the proposed facility. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.**

The name and address of the replacement hospital is provided in Question 1 above.

3. **Confirm that the facility will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing facility, provide the existing identification numbers.**

This amendment application is due solely to an increase in capital costs beyond that allowed in CN rules, triggering the requirement for an amendment.

PMH is currently licensed by the Department of Health and certified by Medicare and Medicaid.

PMH's existing identification numbers are as follows:

HAC.FS: 00000046
Medicare #: 50-1312
Medicaid #: 1007282

4. **Identify the accreditation status of the facility before and after the project.**

This is an amended application for cost overruns. There is no change related to this question. PMH is licensed by the State of Washington and is one of 290 hospitals in the country to receive a 5-Star rating, the highest rating by CMS in 2025. CMS assigns star ratings to hospitals every year based on their performance across five quality categories including preventive care, chronic illness management, customer service, and overall customer satisfaction. Only nine hospitals in the State of Washington received the 5-star rating.

5. **Is the facility operated under a management agreement?**
   Yes ____ No __X___

   If yes, provide a copy of the management agreement.

This question is not applicable.

6. **Provide the following scope of service information:**

This amendment application is due solely to a cost overrun for the construction of the replacement hospital. Table 1 from the original CN is restated below. There are no changes.

Table 1 (Restated from Original CN)
Prosser Memorial Health Scope of Services

Service	Currently Offered?	Offered Following Project Completion?
Alcohol and Chemical Dependency	☐	☐
Anesthesia and Recovery	☒	☒
Cardiac Care	☒	☐
Cardiac Care – Adult Open-Heart Surgery	☐	☐
Cardiac Care – Pediatric Open-Heart Surgery	☐	☐
Cardiac Care – Adult Elective PCI	☐	☐
Cardiac Care – Pediatric Elective PCI	☐	☐
Diagnostic Services	☒	☒
Dialysis – Inpatient	☐	☐
Emergency Services	☒	☒
Food and Nutrition	☒	☒
Imaging/Radiology	☒	☒
Infant Care/Nursery	☒	☒
Intensive/Critical Care	☐	☒
Laboratory	☒	☒
Medical Unit(s)	☒	☒
Neonatal – Level II	☐	☐
Neonatal – Level III	☐	☐
Neonatal – Level IV	☐	☐
Obstetrics	☒	☒
Oncology	☐	☒
Organ Transplant - Adult (list types)	☐	☐
Organ Transplant - Pediatric (list types)	☐	☐
Outpatient Services	☒	☒
Pediatrics	☒	☒
Pharmaceutical	☒	☒
Psychiatric	☐	☐
Skilled Nursing/Long Term Care (swing beds)	☒	☒
Rehabilitation (indicate level, if applicable)	☐	☐
Respiratory Care	☒	☒
Social Services	☒	☒
Surgical Services	☒	☒

SECTION 3
Project Description

1. **Provide a detailed description of the proposed project. If it is a phased project, describe each phase separately. For existing facilities, this should include a discussion of existing services and how these would or would not change as a result of the project.**

PMH's CN application for the replacement hospital was submitted in early 2021. On November 4, 2021, PMH received notice that the Department of Health found the application complied with all applicable CN rules and regulations, and it issued an "intent to issue" a CN. It further noted that it would issue a final CN at the time that:

> *,,,,Prosser Public Hospital District provides the Certificate of Need Program with a copy of a determination of non-significance or final environmental impact statement pertaining to the site for the hospital.*

The District provided the Program with a copy of the City of Prosser's Mitigated Determination of Non-Significance in September of 2022, and CN #1943 was formally issued on September 19, 2022. The approved capital expenditure was $64,707,545, which included costs for land purchase, construction and fixed equipment, moveable equipment, associated fees, and taxes.

Construction on the replacement hospital project commenced in November 2022, and as the Program is aware, COVID-19 drove unprecedented increases in construction costs due to supply chain delays, costs of materials, and labor costs. This resulted in a final capital expenditure of $97,852,200.

According to the American Society for Health Care Engineering (ASHE) 2021 Hospital Construction Survey, 76% of respondents nationally had one or more construction projects delayed, and 29% had one or more construction projects canceled due to impacts of the pandemic. Projects started or underway had to contend with the perfect storm of rising inflation, supply chain disruptions, and worker shortages. The impact was significant increases in project costs. According to various construction experts, in 2021 alone, the cost of construction materials rose by 19.6%, with some materials like steel and lumber seeing even larger, record-breaking spikes. The trend continued into 2022, with the average U.S. construction cost index increasing 14.1% year-over-year. In 2023, the growth rate of material prices slowed, but construction costs still rose by an average of 4%. The same escalation was experienced in equipment.

2. **If your project involves the addition or expansion of a tertiary service, confirm you included the applicable addendum for that service. Tertiary services are outlined under WAC 246-310-020(1)(d)(i).**

This project did not involve the expansion or addition of a tertiary service. This is an amended application solely due to cost overruns. This question is not applicable.

3. **Provide a breakdown of the beds, by type, before and after the project. If the project will be phased, include columns detailing each phase.**

There was no change in beds or beds type. When it published its intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements.

4. **Indicate if any of the beds listed above are not currently set-up, as well as the reason the beds are not set up.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

5. **With the understanding that the review of a Certificate of Need application typically takes six to nine months, provide an estimated timeline for project implementation, below. For phased projects, adjust the table to include each phase.**

The project is already complete and operational.

6. **Provide a general description of the types of patients to be served as a result of this project.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

7. **Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.**

A copy of the letter of intent is included in Exhibit 1.

8. **Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. For additions or changes to existing hospitals, only provide drawings of those floor(s) affected by this project.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

9. **Provide the gross square footage of the hospital, with and without the project.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

10. **If this project involves construction of 12,000 square feet or more, or construction associated with parking for 40 or more vehicles, submit a copy of either an Environmental Impact Statement or a Declaration of Non-Significance from the appropriate governmental authority. [WAC 246-03-030(4)]**

The District provided the Program with a copy of the City of Prosser's Mitigated Determination of Non-Significance in September of 2022, and CN #1943 was formally issued on September 19, 2022. This question is not applicable.

11. **If your project includes construction, indicate if you've consulted with Construction Review Services (CRS) and provide your CRS project number.**

    The Certificate of Need program highly recommends that applicants consult with the office of Construction Review Services (CRS) early in the planning process. CRS review is required prior to construction and licensure (WAC 246-320-500 through WAC 246-320-600). Consultation with CRS can help an applicant reliably predict the scope of work required for licensure and certification. Knowing the required construction standards can help the applicant to more accurately estimate the capital expenditure associated with a project. Note that WAC 246-320-505(2)(a) requires that hospital applicants request and attend a presubmission conference for any construction projects in excess of $250,000.

CRS completed its review of the replacement hospital in November of 2022 and approved occupancy prior to opening. This question is not applicable.

SECTION 4
Need (WAC 246-310-210)

1. **List all other acute care hospitals currently licensed under RCW 70.41 and operating in the hospital planning area affected by this project. If a new hospital is approved, but is not yet licensed, identify the facility.**

The CN Program previously found that PMH's 2021 application met all requirements related to WAC 246-310-210 and RCW 70.41. In addition, PMH provided complete responses to this question in its original filing, and the Program deemed it responsive. There is no change or update.

2. **For projects proposing to add acute care beds, provide a numeric need methodology that demonstrates need in this planning area. The numeric need methodology steps can be found in the Washington State Health Plan (sunset in 1989).**

No acute care beds were added with the replacement hospital project.

3. **For existing facilities proposing to expand, identify the type of beds that will expand with this project.**

No new types of acute care beds were added with the replacement hospital project.

4. **For existing facilities, provide the facility's historical utilization for the last three full calendar years. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital.**

PMH provided complete responses to this question in its original filing, and the Program deemed it responsive in its intent to issue a CN analysis. There is no change or update.

5. **Provide projected utilization of the proposed facility for the first seven full years of operation if this project proposes an expansion to an existing hospital. Provide projected utilization for the first ten full years if this project proposes new facility. For existing facilities, also provide the information for intervening years between historical and projected. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital. Include all assumptions used to make these projections.**

Updated utilization will be provided with the response for supplemental information.

6. **For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.**

Updated patient origin information is included in Exhibit 2.

7. **Identify any factors in the planning area that currently restrict patient access to the proposed services.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. The opening of the replacement hospital and MOB has expanded and improved space for select services and hence wait times have reduced and patient experience and access have increased.

8. **Identify how this project will be available and accessible to underserved groups.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.
.

9. **If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current location.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

10. **If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation,**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

11. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient rights and responsibilities policy**
- **Non-discrimination policy**
- **End of life policy**
- **Reproductive health policy**
- **Any other policies directly associated with patient access**

This amendment is due to solely to a cost overrun. All of the required policies were approved in the program's intent to issue a CN to PMH for this project in 2021. The only policy that has been updated since the original approval is the charity care policy (updated 1/15/2024). That policy is included as Exhibit 3.

SECTION 5
Financial Feasibility (WAC 246-310-220)

1. **Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**
    - **Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.**
    - **A current balance sheet at the facility level.**
    - **Pro forma balance sheets at the facility level throughout the projection period.**
    - **Pro forma revenue and expense projections for at least the first three full calendar years following completion of the project. Include all assumptions.**
    - **For existing facilities, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. An updated pro forma reflecting updated patient volumes, as well as the additional capital and interest and depreciation expenses will be provided with the response to screening.

2. **Identify the hospital's fiscal year.**

PMH's fiscal year is 12/31.

3. **Provide the following agreements/contracts:**
    - **Management agreement**
    - **Operating agreement**
    - **Development agreement**
    - **Joint Venture agreement**

This is an amended application solely for cost overruns. There is no change related to this question. PMH does not have any of the above agreements or contracts. This question is not applicable.

4. **Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years with options to renew for a total of 20 years.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's response to this question met all CN requirements. The hospital is located and operating at the CN approved site.

5. **Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site. If the site must undergo rezoning or other review prior to being appropriate for the proposed project, identify the current status of the process.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's response to this question met all CN requirements. The hospital is located and operating at the CN approved site.

6. **Complete the table on the following page with the estimated capital expenditure associated with this project. If you include other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.**

Table 2 provides the revised capital expenditure for the project. The capital expenditure includes the cost for both the replacement hospital as well as the Medical Office Building (MOB) as both projects are part of the financing, but as in the original CN decision, the CN capital expenditure is limited to the replacement hospital only.

Table 2
Replacement Hospital and Total Project Capital Expenditure

Item	Replacement Hospital	Medical Office Building (MOB)	Total Project
a. Land Purchase	$1,362,647	$362,972	$1,725,619
b. Utilities to Lot Line	$36,976	$17,758	$54,734
c. Land Improvements			
d. Building Purchase			
e. Residual Value of Replaced Facility			
f. Building Construction	$64,489,819	$14,156,302	$78,646,121
g. Fixed Equipment (not already included in the construction contract)			
h. Movable Equipment	$11,747,767	$2,578,778	$14,326,545
i. Architect and Engineering Fees	$3,682,396	$808,331	$4,490,726
j. Consulting Fees	$2,912,488	$639,327	$3,551,814
k. Site Preparation			
l. Supervision and Inspection of Site	$104,495	$22,938	$127,433
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	$5,629,499	$1,235,744	$6,865,243
1. Land			
2. Building			
3. Equipment			
4. Other			
n. Washington Sales Tax	$6,482,905	$1,423,077	$7,905,982
o. Other:			
Moving costs	$201,868	$44,313	$246,181
Signage	$497,700	$132,300	$630,000
Miscellaneous Costs (Art, Final clean, Public Notice fees)	$215,616	$57,316	$272,932
Permits and Plans	$488,024	$129,728	$617,752
Total Estimated Capital Expenditure	**$97,852,200**	**$21,608,882**	**$119,461,082**

Source: Applicant

7. **Identify the entity responsible for the estimated capital costs. If more than one entity is responsible, provide breakdown of percentages and amounts for all.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There were no changes to the consultants used for estimating capital costs.

8. **Identify the start-up costs for this project. Include the assumptions used to develop these costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application. The startup period is already complete for the replacement hospital.

9. **Identify the entity responsible for the start-up costs. If more than one entity is responsible, provide a breakdown of percentages and amounts for all.**

PMH was responsible for the startup costs.

10. **Provide a non-binding contractor's estimate for the construction costs for the project.**

The project is complete, and the hospital is operational. Final construction costs are included in Table 2, detailing the revised final capital expenditure for the project.

11. **Provide a detailed narrative supporting that the costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services in the planning area.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's response to this question met all CN requirements. Even with the increased capital costs, PMH does not expect, and to date has not experienced, an unreasonable impact on costs and charges. In fact, and as anticipated in the original CN filing, some operating costs have decreased (utility, maintenance, etc.).

12. Provide the projected payer mix for the hospital by revenue and by patients using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If "other" is a category, define what is included in "other."

The project is complete, and the hospital is operational. The actual 2025 YTD Payer Mix is included in Table 3 below.

Table 3
Prosser Memorial Health
YTD 2025 Payer Mix

Payer Mix	Percentage by Revenue	Percentage by Patient
Medicare	36.4%	32.9%
Medicaid	25.2%	25.3%
Commercial	34.7%	36.7%
Self-Pay	3.7%	5.1%
Total	**100.0%**	**100.%**

Source: Applicant

13. If this project proposes the addition of beds to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.

This question is not applicable.

14. Provide a listing of all new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's equipment list met all CN requirements. There were no substantive changes to the equipment.

15. Identify the source(s) of financing and start-up costs (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant's CFO committing to pay for the project or draft terms from a financial institution.

If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.

Table 4 identifies the final sources and amounts of financing for the project.

Table 4
Sources of Financing for Replacement Hospital

Source	Hospital	MOB	Amount
District Purchase of Land (cash reserves) paid in 2017 District Equity Contribution	$1,403,097	$296,903	$1,700,000
District Equity Contribution (**Revised**)	$21,288,087	$4,672,995	$25,961,082
Federal Grants (**Revised)**	$820,000	$180,000	$1,000,000
District Prepaids (paid through 12/31/2021)	$1,072,957	$227,043	$1,300,000
Other Financing (Capital Municipal Lease Financing for Equipment) (**Revised**)	$7,258,059	$1,741,941	$9,000,000
USDA Direct Loan with LTGO Pledge (**Revised**)	$10,660,000	$2,340,000	$13,000,000
USDA Direct Loan with Revenue Pledge (**Revised)**	$55,350,000	$12,150,000	$67,500,000
Total	**$97,852,200**	**$21,608,882**	**119,461,082**

Source: Applicant

16. Provide the most recent audited financial statements for:

- **The applicant, and**
- **Any parent entity.**

Audited financial statements are included as Appendix 1.

SECTION 6
Structure and Process of Care (WAC 246-310-230)

1. **Identify all licensed healthcare facilities owned, operated, or managed by the applicant. This should include all facilities in Washington State as well as any out-of-state facilities. Include applicable license and certification numbers.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

2. **Provide a table that shows full time equivalents (FTEs) by type (e.g. physicians, management, technicians, RNs, nursing assistants, etc.) for the facility. If the facility is currently in operation, include at least the most recent full year of operation, the current year, and projections through the first three full years of operation following project completion. There should be no gaps. All FTE types should be defined.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes associated with this amendment application, and the replacement hospital is open and fully staffed.

3. **Provide the basis for the assumptions used to project the number and types of FTEs identified for this project.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes associated with this amendment application, and the replacement hospital is open and fully staffed.

4. **Identify key staff (e.g. chief of medicine, nurse manager, clinical director, etc.) by name and professional license number, if known.**

This information will be provided with the response to the Program's request for supplemental information.

5. **Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. The replacement hospital is open and fully staffed. We should note that our experience is that a replacement hospital serves as a magnet for recruitment: health care professionals want to practice and work in a state of art, highly performing hospital making a difference in the lives of the community.

6. **For new facilities, provide a listing of ancillary and support services that will be established.**

This is an amended application for cost overruns. There were no substantial changes to existing ancillary and support service offerings to that approved by the Program in the intent to issue a CN in 2021.

7. **For existing facilities, provide a listing of ancillary and support services already in place.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

8. **Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.**

This is an amended application for cost overruns. There were no substantial changes to existing ancillary and support service offerings to that approved by the Program in the intent to issue a CN in 2021.

9. **If the facility is currently operating, provide a listing of healthcare facilities with which the facility has working relationships.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes associated with this amendment application.

10. Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project.

This is an amended application for cost overruns. There is no change related to this question. No existing working relationships changed as a result of the replacement hospital.

11. For a new facility, provide a listing of healthcare facilities with which the facility would establish working relationships.

This question is not applicable.

12. Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services.

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's response to this question met all CN requirements. There are no changes with this amendment application.

13. Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230(4).

The CN Program previously found that PMH's 2021 application met all requirements related to WAC 246-310-230(4). Accordingly, PMH understands that criteria for this question are deemed met for this amendment application.

14. **Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements.**
    a. **A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or**
    b. **A revocation of a license to operate a healthcare facility; or**
    c. **A revocation of a license to practice as a health profession; or**
    d. **Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.**

When it issued the CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. This remains accurate today: no facility or practitioner associated with the application has any history with respect to the above.

SECTION 7
Cost Containment (WAC 246-310-240)

1. **Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.**

The CN Program previously found that PMH's 2021 application met all requirements related to WAC 246-310-240. Accordingly, PMH understands that criteria for this question are deemed met for this amendment application.

2. **Provide a comparison of this project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.**

The CN Program previously found that PMH's 2021 application met all requirements related to WAC 246-310-240. The replacement hospital is completed and operational.

3. **If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):**
    - **The costs, scope, and methods of construction and energy conservation are reasonable; and**
    - **The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.**

The CN Program previously found that PMH's 2021 application met all requirements related to WAC 246-310-240(2). CRS reviewed and reviewed the plans. In an earlier section of this application, we responded to the questions about impact on costs and charges,

4. **Identify any aspects of the project that will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment, and which promote quality assurance and cost effectiveness.**

When it published the intent to issue a CN to PMH for this project in 2021, the CN Program found that PMH's 2021 response to this question met all CN requirements. There are no changes with this amendment application.

Exhibit 1

Letter of Intent

Prosser
Memorial Health

April 18, 2025

Eric Hernandez, Manager
Certificate of Need Program
Department of Health
P.O. Box 47853
Olympia, WA 98504-7852
Via email: eric.hernandez@doh.wa.gov; cn@doh.wa.gov

Dear Mr. Hernandez:

Prosser Public Hospital District #1, d/b/a Prosser Memorial Health (PMH), submits this letter of intent to amend CN #1943, which approved the replacement and relocation of our replacement hospital. The amendment is due to a change in the cost of the project.

Pursuant to both WAC 246-310-080 and WAC 246-310-100, the following information is provided:

1. A description of the services proposed:
CN#1943 approved the relocation and replacement of our existing hospital The construction of the new hospital is now complete, and the new hospital opened February 1st, 2025. An amendment is required because the final capital costs exceeded 12% the originally approved amount.

2. The estimated cost of the proposed project:
The final capital cost for the hospital replacement project is $98,775,629.

3. Description of the Service Area:
There is no change to the service area, which was, and continues to be the boundaries of the Prosser Public Hospital District #1..

Thank you for your attention to this matter. Please feel free to contact me with any questions.

Sincerely,

Craig J. Marks
CEO, Prosser Memorial Health

Exhibit 2

Patient Origin

Zip Code	City	2024 Percent of Discharges
99350	Prosser	24.2%
98930	Grandview	22.2%
98944	Sunnyside	18.5%
98935	Mabton	6.1%
99320	Benton City	4.8%
98932	Granger	3.0%
98953	Zillah	2.2%
98948	Toppenish	1.9%
98938	Outlook	1.9%
99301	Pasco	1.9%
98908	Yakima	1.5%
98951	Wapato	1.5%
99336	Kennewick	0.9%
98902	Yakima	0.8%
98901	Yakima	0.7%
98942	Selah	0.6%
99353	West Richland	0.6%
99338	Kennewick	0.6%
99352	Richland	0.5%
99337	Kennewick	0.4%
98903	Yakima	0.4%
98936	Moxee	0.4%
98952	White Swan	0.4%
99354	Richland	0.3%
Other		3.8%
Total		100.00%

Source: WSHA Dash Premium, Inpatient Discharges, excluding newborns.

Exhibit 3

Charity Care Policy

Prosser Memorial Health	Title: Indigent Care/ Financial Assistance
	Department Manual(s): - Patient Financial Services
Owner: Revenue Cycle Director	Review date: The last review date will be automatically printed on the last page of the policy when a printed version is required.
Implementation date: 1//15/2024	

Purpose:
The purpose of this policy is to set forth Prosser Memorial Health's Indigent Care /Financial Assistance policy, which is designed to promote access to medically necessary care for those without the ability to pay, and to offer a discount from billed charges for individuals who are able to pay for only a portion of the costs of their care. These programs apply solely with respect to emergency and other medically necessary healthcare services provided by Prosser Memorial Health. This policy and the financial assistance programs described herein constitute the official Financial Assistance Policy ("FAP") for each hospital and clinic that is owned, leased or operated by Prosser Memorial Health and covers all employed medical providers.

Prosser Memorial Health (PMH) includes Prosser Hospital, Benton City Clinic, Prosser Clinic, Prosser Women's Health Clinic, Grandview Clinic, Prosser Comprehensive Pain Clinic, Prosser Specialty Clinic, Prosser ENT & Allergy Clinic, Prosser Rehabilitation Services and any other services acquired or managed and billed for by PMH.

Policy:
Prosser Memorial Health does business under the license of Prosser Public Hospital District of Benton County and provides medically necessary healthcare services to community members and those in emergent medical need, without delay, regardless of their ability to pay. For purposes of this policy, "financial assistance" includes indigent care and other financial assistance programs offered by Prosser Memorial Health.

1. Prosser Memorial Health will comply with federal and state laws and regulations relating to emergency medical services, indigent care and financial assistance, , including but not limited to Section 1867 of the Social Security Act, RCW 70.170.060, WAC Ch. 246-453 and HB 1616, effective July 1, 2022

2. Prosser Memorial Health will provide financial assistance to qualifying patients or guarantors with no other primary payment sources to relieve them of some or all of their financial obligation for emergency and medically necessary healthcare services.

3. In alignment with its Core Values, Prosser Memorial Health will provide financial assistance to qualifying patients or guarantors in a respectful, compassionate, fair, consistent, effective and efficient manner.
4. Prosser Memorial Health will not discriminate on the basis of age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status, or any other basis prohibited by federal, state, or local law when making financial assistance determinations.

5. In extenuating circumstances, Prosser Memorial Health may at its discretion approve financial assistance outside of the scope of this policy. Uncollectible/presumptive indigent

care/financial assistance is approved due to but not limited to the following: social diagnosis, homelessness, bankruptcy, deceased with no estate, history of non-compliance and non-payment of account(s). All documentation must support the patient/guarantor's inability to pay and why collection agency assignment would not result in resolution of the account.

6. Prosser Memorial Health hospital's dedicated emergency department will provide, without discrimination, care for emergency medical conditions (within the meaning of the Emergency Medical Treatment and Labor Act (EMTALA) consistent with available capabilities, regardless of whether an individual is eligible for financial assistance Prosser Memorial Health will provide emergency medical screening examinations and stabilizing treatment, or refer or transfer an individual if such transfer is appropriate in accordance with 42 C.F.R. 482.55. Prosser Memorial Health prohibits any actions that would discourage individuals from seeking emergency medical care, such as by permitting debt collection activities that interfere with the provision of emergency medical care.

Financial Assistance Eligibility Requirements:
Financial assistance is available for both uninsured and underinsured patients and guarantors where such assistance is consistent with federal and state laws governing permissible benefits to patients. Financial assistance is available only with respect to amounts that relate to emergency or other medically necessary services. Patients or guarantors with gross family income, adjusted for family size, at or below 300% of the Federal Poverty Level (FPL) are eligible for financial assistance, so long as no other financial resources are available, and the patient or guarantor submits information necessary to confirm eligibility.

Financial assistance is secondary to all other financial resources available to the patient or guarantor, including but not limited to insurance, third party liability payers, government programs, and outside agency programs. In situations where appropriate primary payment sources are not available, patients or guarantors may apply for financial assistance based on the eligibility requirements in this policy and supporting documentation, which may include proof of application to Medicaid may be requested.

Financial assistance is granted for emergency and medically necessary services, normally covered by Washington State Medicaid, only. For Prosser Memorial Health "emergency and medically necessary services" means appropriate hospital-based services as defined by WAC 246-453-010(7). Prosser Memorial Health physician services and clinic services medically necessary services must be provided within a Prosser Memorial Health hospital or clinic setting or in such other settings as defined by Prosser Memorial Health.

Eligibility for financial assistance shall be based on financial need at the time of application. All income of the family as defined by Washington law governing indigent care ("income" and "family" are defined in WAC 246-453-010(17)-(18)) is considered in determining the applicability of the Prosser Memorial Health sliding fee scale as attached. Patients seeking financial assistance must provide any supporting documentation specified in the application for indigent care/financial assistance unless Prosser Memorial Health indicates otherwise.

Basis for Calculating Discounted Amounts to Patients Eligible for Indigent Care/Financial Assistance

Categories of available discounts under this policy are built on full assistance and a sliding scale. Both the full assistance and the sliding scale fee schedule are based on a combination of income level and family size:

Prosser Memorial Health Charity Care/Discounted Billing-Income Guidelines January 16, 2024 Percentage of bill which Patient is Responsible (Updated 1/16/24 FPL table)					
Family Unit Size	Annual Income	0-200% FPL	201-250%	251-300%	>300 FPL
		100%	75%	50%	0%
1	From	$0.00	$30,121	$37,651	$45,181
	To	$30,120	$37,650	$45,180	
2	From	$0.00	$40,881	$51,101	$61,321
	To	$40,880	$51,100	$61,320	
3	From	$0.00	$51,641	$64,551	$77,461
	To	$51,640	$64,550	$77,460	
4	From	$0.00	$62,401	$78,001	$93,601
	To	$62,400	$78,000	$93,600	
5	From	$0.00	$73,161	$91,451	$109,741
	To	$73,160	$91,450	$109,740	
6	From	$0.00	$83,921	$104,901	$125,881
	To	$83,920	$104,900	$125,880	
7	From	$0.00	$94,681	$118,351	$142,021
	To	$94,680	$118,350	$142,020	
8	From	$0.00	$105,441	$131,801	$158,161
	To	$105,440	$131,800	$158,160	
For families with more than 8 members, add:					
		$10,760	$13,450	$16,140	

The range above is for Reference Use. Actual FPL calculation is completed by the financial counselor in Patient Financial Services once documentation is received and reviewed. (RCW 70.170.060(5)). The Indigent Care/Financial Assistance /Discounted Billing -Income Guidelines table will be updated annually upon Federal publishing of new Federal Poverty limits.

Application of Discounts: All discounts are applied after all funding possibilities available to the patient or guarantor have been exhausted or denied and personal financial resources have been reviewed for possible funding to pay billed charges. Financial assistance may be offered to patients or guarantors with family income in

excess of 300% of the federal poverty level when circumstances indicate severe financial hardship or personal loss.

Method for Applying for Assistance and Evaluation Process:
Patients or guarantors may apply for financial assistance under this Policy by any of the following means:

(1) Advising Prosser Memorial Health patient financial services staff at or prior to the time of discharge that assistance is requested and applying form and any documentation as requested by Prosser Memorial Health.
(2) Downloading an application form from Prosser Memorial Health website, at: https://www.prosserhealth.org submitting the form together with any required documentation.
(3) Requesting an application via mail to:

Prosser Memorial Health
723 Memorial Street
Prosser WA 99350
ATTN: Financial Counselor, Patient Financial Services.

(4) Requesting an application form by telephone, by calling: **1-509-786-6645**, and submitting the form.
(5) Picking up a form at the PMH Billing Office, Hospital Main Entrance or any Clinic location.
(6) Any other methods specified within this policy. Prosser Memorial Health will display signage and information about its financial assistance policy at appropriate access areas. Including but not limited to the emergency department and admission areas.

The hospital will give a preliminary screening to any person applying for financial assistance. As part of this screening process Prosser Memorial Health will review whether the person has exhausted or is ineligible for any third-party payment sources. Prosser Memorial Health may choose to grant financial assistance based solely on an initial determination of a patient's status as an indigent person, as defined in WAC 246-453-010(4). In these cases, documentation may not be required. In all other cases, documentation is required to support an application for financial assistance. This may include proof of family size and income from any source, including but not limited to: copies of recent paychecks, W-2 statements, income tax returns, forms approving or denying Medicaid or state-funded medical assistance, forms approving or denying unemployment compensation, written statements from employers or welfare agencies, and/or bank statements showing activity.

Note: You do not have to provide a Social Security number to apply for financial assistance. If you provide us with your Social Security number, it will help speed up processing of your application.

Social Security numbers are used to verify information provided to us. If you do not have a Social Security number, please mark “not applicable” or “NA. If adequate documentation cannot be provided, Prosser Memorial Health may ask for additional information.

A patient or guarantor who may be eligible to apply for financial assistance may provide sufficient documentation to Prosser Memorial Health to support an eligibility determination until fourteen (14) days after the application is made per Washington State regulations. Prosser Memorial Health acknowledges that per the WAC 246-453-020(10), a designation can be made at any time upon learning that a party’s income is at or below 200% of the federal poverty standard. Based upon documentation provided with the application, Prosser Memorial Health will determine if additional information is required, or whether an eligibility determination can be made. The failure of a patient or guarantor to reasonably complete appropriate application procedures within the time periods specified above shall be sufficient grounds for Prosser Memorial Health to determine the patient or guarantor ineligible for financial assistance and to initiate collection efforts. An initial determination of potential eligibility for financial assistance will be completed as closely as possible to the date of the application.

Prosser Memorial Health will notify the patient or guarantor of a final determination of eligibility or ineligibility within fourteen (14) business days of receiving the necessary documentation.

The patient may appeal a determination of ineligibility for financial assistance by providing relevant additional documentation to Prosser Memorial Health within thirty (30) days of receipt of the notice of denial. All appeals will be reviewed and if the determination on appeal affirms the denial, written notification will be sent to the patient and the Washington State Department of Health in accordance with state law. The final appeal process will conclude within ten (10) days of the receipt of the appeal by
Prosser Memorial Health.

Other methods of qualifications for Financial Assistance may fall under the following:
- The legal statue of collection limitations has expired.
- The guarantor has deceased and there is no estate or probate.
- The guarantor has provided financial records that qualify him/her for financial assistance; and/or
- Financial records indicate the guarantor’s income will likely never improve to be able to pay the debt, for example with guarantors on lifetime fixed incomes.

Billing and Collections: Any unpaid balances owed by patients or guarantors after application of available discounts, if any, may be referred to collections in accordance with Prosser Memorial Health uniform billing and collections policies. For information on Prosser Memorial Health billing and collections practices for amounts owed by patients

or guarantors, please contact Prosser Memorial Health Financial Counselor at 723 Memorial Street, Prosser, WA 99350 or 509-786-6645.

Discounts Available Under Prosser Memorial Health Indigent Care/ Financial Assistance Policy

The full amount of hospital charges outstanding after application of any other available sources of payment will be determined to be indigent care for any patient or guarantor whose gross family income, adjusted for family size, is at or below 200% of the current federal poverty guideline level (consistent with WAC Ch. 246-453, HB 1616 effective 7/01/2022), provided that such persons are not eligible for other private or public health coverage sponsorship (see RCW 70.170.060 (5)).

For guarantors with income between (adjusted for family size) 200% and 300% of the FPL, the Prosser Memorial Health sliding fee scale applies as per Washington State regulation.

In determining the applicability of the Prosser Memorial Health fee scale, all income of the family as defined by WAC 246-456-010 (17-18) are considered. Responsible parties with family income between 0% and 200% of the FPL, adjusted for family size, shall be determined to be indigent persons qualifying for indigent care/financial assistance sponsorship for the full amount of hospital charges related to appropriate hospital-based medical services that are not covered by private or public third-party sponsorship as referenced in WAC 246-453-040 (1-3).

For guarantors with income (adjusted for family size) between 200%-300% of the FPL, household income is considered in determining the applicability of the sliding fee scale.

Forms can be found on SharePoint/ Forms/ Administrative/ Indigent Care/Financial Assistance:

- Sliding Scale
- Indigent Care/Financial Assistance Application Form
- Indigent Care/Financial Assistance Plain Language Summary

Patients/Guarantors Approved for Indigent Care/Financial Assistance:

1) Patients/Guarantors approved for indigent care/financial assistance will continue to receive automated approval for any self-pay balance for a term of six (6) months at the level they were approved for.
2) If they were approved for less than 100% coverage (0 %, 50% or 75%) and their financial condition worsens over the six (6) month period they may re apply for increased indigent care/financial assistance consideration.

Indigent Care/Financial Assistance Approval Authority:
If write off is determined by the Financial Counselor (FC), the FC submits the completed paper application to the Billing Director for approval. The Billing Director reviews the application and approves per the criteria below:

1) If the balance is $20,000 or under, the Revenue Cycle Director or Access Director signs off the paper application,
2) If the balance is between $20,001 and $30,000 the account may be approved by either the Finance Director or the Chief Financial Officer (CFO),
3) If the balance is between $30,000 and $100,000 the CFO may approve,
4) If the balance is over $100,000 the account may be approved by the CEO.

Upon proper approval the Director returns the application to the Department Clerk or FC for requesting the adjustment in Epic and electronically scanning the approved application to the account. The adjustment then routes to the Billing Director for Electronic approval.

Identifying Patients Who May Qualify for Indigent Care/Financial Assistance:
PMH will attempt to identify patients who may be eligible for healthcare insurance coverage and will be active in assisting patients to apply for said coverage per Section 2(5) of Substitute House Bill 1616 by the following means:

1) All self-pay patients with no insurance will be screened, after registration or pre-registration for potential Medicaid coverage.
2) All Indigent care/financial assistance applicants will be screened for eligible Medicaid coverage as part of the indigent care/financial assistance approval process.
3) As part of the Financial Assistance application process, PMH will work with patients/families who do not have applicable Third-Party Coverage to assess whether such patients/families may be eligible for Medicaid and/or health care coverage through Washington's Health Benefit Exchange (RCW 43.71). PMH will employee internal and external resources to provide assistance with Medicaid and Qualified Health Plan applications and including but not limited to providing the patient/family with information about the application process, assisting patients through the application process, providing necessary forms that must be completed, and/or connecting the patient/family with other agencies or resources who can assist the patient/family in completing such applications.

Appendix 1

Audited Financials

Prosser Public Hospital District doing business as Prosser Memorial Health

Combined Basic Financial Statements and Independent Auditors' Reports

December 31, 2023 and 2022

ACCOUNTANTS | ADVISORS

Prosser Public Hospital District
doing business as Prosser Memorial Health
Table of Contents

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Prosser Public Hospital District
doing business as Prosser Memorial Health
Prosser, Washington

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Prosser Public Hospital District doing business as Prosser Memorial Health (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the combined financial statements, which collectively comprise the District's combined basic financial statements as listed in the table of contents.

In our opinion, the combined 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 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 Combined Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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

12015 E Main Ave | Spokane Valley, WA 99206 | 509.242.0874 | www.dza.cpa

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 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 auditing standards generally accepted in the United States of America 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 combined 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 combined 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 combined basic financial statements. Such missing information, although not a part of the combined 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 combined basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the combined 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 the District's Proportionate Share of the Net Pension Asset, Law Enforcement Officers' and Fire Fighters' Plan 2 and Schedule of the District's Contributions, Law Enforcement Officers' and Fire Fighters' Plan 2 on pages 40-41 be presented to supplement the combined basic financial statements. Such information is the responsibility of management and, although not a part of the combined basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic 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 basic 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 March 19, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2023. We issued a similar report for the year ended December 31, 2022, dated March 17, 2023, 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.

DZA PLLC

Spokane Valley, Washington
March 19, 2024

Prosser Public Hospital District
doing business as Prosser Memorial Health
Combined Statements of Net Position
December 31, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current assets		
Cash and cash equivalents	**$ 12,564,546**	$ 6,368,376
Investments	**576,382**	471,749
Receivables:		
Patient accounts	**21,547,350**	15,506,516
Estimated third-party payor settlements	**1,254,000**	-
Other	**888,279**	177,941
Inventories	**831,789**	668,267
Physician advances	**371,629**	147,371
Prepaid expenses	**1,355,851**	1,118,627
Total current assets	**39,389,826**	24,458,847
Noncurrent assets		
Cash and cash equivalents limited as to use for capital acquisitions	**783,328**	2,963,331
Cash and cash equivalents restricted by debt agreement for capital acquisitions	**6,030,161**	17,462,560
Investments limited as to use for capital acquisitions	**14,616,327**	9,291,641
Net pension asset	**511,093**	484,647
Capital assets, net	**80,732,121**	37,418,223
Total noncurrent assets	**102,673,030**	67,620,402
Deferred outflows of resources, pension plan	**469,344**	376,405
Total assets and deferred outflows of resources	**$ 142,532,200**	$ 92,455,654

See accompanying notes to combined basic financial statements.

Prosser Public Hospital District
doing business as Prosser Memorial Health
Combined Statements of Net Position (Continued)
December 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
Current liabilities		
Accounts payable	**$ 4,513,878**	$ 1,894,987
Capital accounts payable	**10,709,417**	-
Accrued payroll and related liabilities	**3,039,433**	1,717,570
Accrued leave	**2,358,371**	2,061,731
Estimated third-party payor settlements	**1,667,000**	2,169,713
Current portion of long-term debt	**1,227,887**	1,162,835
Current maturities of lease and subscription liabilities	**985,478**	887,255
Total current liabilities	**24,501,464**	9,894,091
Noncurrent liabilities		
Long-term debt, net of current portion	**30,230,485**	8,971,217
Lease and subscription liabilities, net of current maturities	**12,181,604**	12,577,470
Total noncurrent liabilities	**42,412,089**	21,548,687
Total liabilities	**66,913,553**	31,442,778
Deferred inflows of resources, pension plan	**244,204**	208,975
Net position		
Net investment in capital assets	**31,427,411**	31,282,006
Unrestricted	**43,947,032**	29,521,895
Total net position	**75,374,443**	60,803,901
Total liabilities, deferred inflows of resources, and net position	**$ 142,532,200**	$ 92,455,654

See accompanying notes to combined basic financial statements.

Prosser Public Hospital District
doing business as Prosser Memorial Health
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	**$ 117,639,289**	$ 93,713,816
Grants	**125,036**	47,297
Other	**599,494**	236,087
Total operating revenues	**118,363,819**	93,997,200
Operating expenses		
Salaries and wages	**46,313,785**	38,133,043
Employee benefits	**11,777,727**	8,338,244
Professional fees	**12,517,700**	10,135,773
Purchased services	**9,519,909**	6,910,578
Supplies	**15,490,224**	11,700,396
Insurance	**666,696**	630,617
Utilities	**649,187**	567,788
Depreciation and amortization	**3,970,249**	3,813,148
Repairs and maintenance	**796,642**	657,824
Licenses and taxes	**797,162**	625,527
Leases and rentals	**756,340**	780,737
Other	**2,126,455**	1,385,468
Total operating expenses	**105,382,076**	83,679,143
Operating income	**12,981,743**	10,318,057
Nonoperating revenues (expenses)		
Taxation for maintenance and operations	**987,594**	995,467
Investment gain (loss)	**732,931**	(1,003,170)
Interest expense	**(946,190)**	(746,440)
Debt issuance costs	**-**	(571,456)
CARES Act Provider Relief Fund	**-**	1,785,037
Gift shop and retail revenue	**580,456**	277,059
Gift shop and retail expenses	**(297,899)**	(244,815)
Fundraising events revenue	**151,706**	139,730
Fundraising events expenses	**(91,808)**	(131,405)
Other Foundation expenses	**(59,036)**	(43,573)
Contributions	**13,815**	850
Total nonoperating revenues, net	**1,071,569**	457,284
Change in net position before capital contributions	**14,053,312**	10,775,341
Capital contributions	**517,230**	156,881
Change in net position	**14,570,542**	10,932,222
Net position, beginning of year	**60,803,901**	49,871,679
Net position, end of year	**$ 75,374,443**	$ 60,803,901

See accompanying notes to combined basic financial statements.

Prosser Public Hospital District
doing business as Prosser Memorial Health
Combined Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Cash received from and on behalf of patients	**$ 109,841,742**	$ 90,740,763
Cash received from other revenue	**599,494**	236,087
Cash received from operating grants	**125,036**	47,297
Cash paid to and on behalf of employees	**(56,557,165)**	(46,131,053)
Cash paid to suppliers and contractors	**(41,583,555)**	(33,485,831)
Net cash from operating activities	**12,425,552**	11,407,263
Cash flows from noncapital financing activities		
Taxes received for maintenance and operations	**997,697**	979,472
Proceeds from CARES Act Provider Relief Fund	**-**	238,321
Gift shop revenue	**580,456**	277,059
Gift shop expenses	**(297,344)**	(244,791)
Fundraising event revenue	**151,706**	139,730
Fundraising event expenses	**(91,808)**	(131,405)
Other Foundation expenses	**(43,814)**	(33,953)
Contributions received	**10,130**	850
Net cash from noncapital financing activities	**1,307,023**	1,225,283
Cash flows from capital and related financing activities		
Purchase of capital assets	**(35,807,545)**	(3,874,922)
Principal payments on long-term debt	**(1,141,273)**	(1,119,982)
Interest paid	**(952,198)**	(750,259)
Principal payments on lease and subscription liabilities	**(1,069,963)**	(978,145)
Proceeds from the issuance of long-term debt	**22,469,197**	50,001
Payments for bond issuance costs	**-**	(571,456)
Capital contributions received	**49,918**	124,928
Net cash from capital and related financing activities	**(16,451,864)**	(7,119,835)
Cash flows from investing activities		
Purchase of investments	-	7,283,133
Sale of investments	**(4,843,237)**	-
Interest received	**146,294**	80,410
Net cash from investing activities	**(4,696,943)**	7,363,543
Net increase in cash and cash equivalents	**(7,416,232)**	12,876,254
Cash and cash equivalents, beginning of year	**26,794,267**	13,918,013
Cash and cash equivalents, end of year	**$ 19,378,035**	$ 26,794,267

See accompanying notes to combined basic financial statements.

Prosser Public Hospital District
doing business as Prosser Memorial Health
Combined Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Cash and Cash Equivalents to the Combined Statements of Net Position		
Cash and cash equivalents	**$ 12,564,546**	$ 6,368,376
Cash and cash equivalents limited as to use for capital acquisitions	**783,328**	2,963,331
Cash and cash equivalents restricted by debt agreement for capital acquisitions	**6,030,161**	17,462,560
Total cash and cash equivalents	**$ 19,378,035**	$ 26,794,267
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	**$ 12,981,743**	$ 10,318,057
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	**3,970,249**	3,813,148
Provision for bad debts	**9,371,978**	3,523,104
(Increase) decrease in assets and deferred outflows of resources:		
Receivables:		
Patient accounts, net	**(15,412,812)**	(7,428,210)
Estimated third-party payor settlements	**(1,254,000)**	-
Other	**(207,656)**	(10,585)
Inventories	**(159,381)**	(81,469)
Physician advances	**(224,258)**	55,824
Prepaid expenses	**(237,424)**	(161,559)
Net pension asset	**(26,446)**	622,204
Deferred outflows of resources, pension plan	**(92,939)**	(273,392)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	**2,565,479**	106,666
Accrued payroll and related liabilities	**1,321,863**	96,975
Accrued leave	**296,640**	271,718
Estimated third-party payor settlements	**(502,713)**	932,053
Deferred inflows of resources, pension plan	**35,229**	(377,271)
Net cash from operating activities	**$ 12,425,552**	$ 11,407,263

Noncash Investing, Capital, and Financing Activities

During the year ended December 31, 2023, the District recorded $772,320 of right-of-use assets and subscription liabilities from the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

During the year ended December 31, 2022, the District recorded $14,442,870 of right-of-use assets and lease liabilities from the implementation of Governmental Accounting Standards Board Statement No. 87.

See accompanying notes to combined basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Prosser Public Hospital District doing business as Prosser Memorial Health (the District) is organized as a municipal corporation pursuant to the laws of the state of Washington for municipal corporations. The primary purpose of the District is to operate Prosser Memorial Health, the principal provider of acute and outpatient healthcare services for Prosser, Washington, and surrounding communities. The District also operates specialty clinics, an ambulance service, and a rural health clinic in Prosser, Washington, as well as rural health clinics in Benton City and Grandview, Washington.

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

The Board of Commissioners is made up of seven community members elected to six-year terms. The District is not considered to be a component unit of Benton County.

As required by accounting principles generally accepted in the United States of America, the combined basic financial statements present the District – the primary government – and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operations and financial relationship with the District. PMH Medical Center Foundation doing business as Prosser Memorial Health Foundation (the Foundation) is a component unit of the District since its Board of Directors is appointed by the District's Board of Commissioners.

The District is the sole corporate member of the Foundation. To ensure the Foundation remains responsive to the District's needs, the District appoints all of the Foundation's directors and can remove directors with or without cause.

The Foundation was formed in 2017 and began operations in 2019 as a supporting organization for the District. The Foundation is a nonprofit corporation as described in Section 501(c)(3) of the Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation's stated purpose is to support, benefit, perform the functions and carry out the purposes of the District, and the Foundation intends to fulfill this purpose by raising funds to support the operations and activities of the District.

b. Summary of Significant Accounting Policies

Use of estimates – 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 preparation of combined basic 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

b. Summary of Significant Accounting Policies (continued)

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

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Investments – Investments in debt and equity securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Inventories – Inventories consist of medical supplies, drugs, and food and are stated at cost using the first-in, first-out method.

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

Assets limited as to use – Assets limited as to use include assets set aside by the Board of Commissioners for future capital improvements and other uses over which the Board retains control and could subsequently use for other purposes.

Assets restricted as to use – Assets restricted as to use include assets set aside for future capital improvements as required by bond agreements.

Capital assets – The District capitalizes assets whose costs exceed $5,000 and with an estimated useful life of at least one year; lesser amounts are expensed. Donated capital assets are stated at cost or 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 are removed from the accounts and the resulting gain or loss is classified in nonoperating revenues or expenses.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Useful lives have been estimated as follows:

Land improvements	5 to 25 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years
Subscription assets	1 to 4 years
Lease assets:	
Buildings	10 to 24 years
Equipment	1 to 2 years

Accrued leave – The District's employees earn vacation days at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave days up to a specified maximum.

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

b. Summary of Significant Accounting Policies (continued)

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is 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.

Foundation gift shop and coffee shop operations, fundraising activities, and other activities are reported as nonoperating revenues and expenses.

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

Grants and contributions – From time to time, the District receives grants from the state of Washington and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are restricted to specific 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.

Law enforcement officers' and fire fighters' (LEOFF) pension – For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans, and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

b. Summary of Significant Accounting Policies (continued)

Change in accounting principles – In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The District adopted Statement No. 96 during the year ended December 31, 2023. The District did not restate the financial statements for the year ended December 31, 2022, for Statement 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. See Notes 4 and 6 for additional information on the subscription assets and liabilities recorded by the District.

Reclassifications – Certain amounts have been reclassified in the 2022 financial statements in order to be consistent with the 2023 financial statements. These reclassifications had no effect on the previously reported change in net position.

Subsequent events – The District has evaluated subsequent events through March 19, 2024, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Custodial credit risk – Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be refunded to it. The District's deposit policy for custodial credit risk is determined by Washington State law.

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

The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. The District has elected to use the County Treasurer to be its treasurer to issue warrants and make investments. The District held investments in the Washington State Local Government Investment Pool, United States treasury bonds, and federal home loan bank bonds.

The Foundation, as a nonprofit corporation, is not subject to *The Revised Code of Washington*, Chapter 39, which authorizes Municipal Corporation investments. The Foundation had investments in mutual funds.

2. Bank Deposits and Investments (continued):

***Custodial credit risk (continued)* –** Amounts invested in the Washington State Local Government Investment Pool at December 31, 2023 and 2022, were $1,384,211 and $1,315,425, respectively. The Washington State Local Government Investment Pool consists of investments in federal, state, and local government certificates and savings accounts in qualified public depositories.

The District's investments were in compliance with the state of Washington's investment requirements for the years ended December 31, 2023 and 2022.

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

***Interest rate risk* –** Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value.

The District had the following investments:

2023

			Investment Maturities (in Years)			
	Fair Value	No Maturity	Less Than One	One to Five	More Than Five	Investment Ratings***
U.S Treasury Bills	4,973,335	-	-	4,973,335	-	AAA
U.S. Treasury Notes	4,407,852	-	-	4,407,852	-	AAA
Federal Farm Credit Bank	2,838,096	-	-	2,838,096	-	AAA
Federal Home Loan Mortgage Corporation	2,397,044	-	-	2,397,044	-	AAA
Mutual Funds (Foundation)	576,382	576,382	-	-	-	Not Rated
Totals	**$ 15,192,709**	**$ 576,382**	**$ -**	**$ 14,616,327**	**$ -**	

2022

			Investment Maturities (in Years)			
	Fair Value	No Maturity	Less Than One	One to Five	More Than Five	Investment Ratings***
U.S. Treasury Notes	$ 4,252,732	$ -	$ -	$ 4,252,732	$ -	AAA
Federal Farm Credit Bank	2,733,234	-	-	2,733,234	-	AAA
Federal Home Loan Mortgage Corporation	2,305,675	-	-	2,305,675	-	AAA
Mutual Funds (Foundation)	471,749	471,749	-	-	-	Not Rated
Totals	**$ 9,763,390**	**$ 471,749**	**$ -**	**$ 9,291,641**	**$ -**	

Reconciliation of investments to the statements of net position	**2023**	**2022**
Investments	**$ 576,382**	$ 471,749
Investments limited as to use for capital acquisitions	**14,616,327**	9,291,641
Total investments	**$ 15,192,709**	$ 9,763,390

***The District's bond investment ratings are based on Moody's Investor's Service ratings. AAA is the highest credit quality rating issued by Moody's Investor's Service.

2. Bank Deposits and Investments (continued):

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

- Mutual funds are valued using quoted market prices of individual assets that make up the fund (Level 1).
- Bonds are valued using observable inputs from similar investments (Level 2).

3. Patient Accounts Receivable:

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

3. Patient Accounts Receivable (continued):

The District's allowance for uncollectible accounts has not significantly changed 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 the following amounts:

	2023	2022
Patients and their insurance carriers	**$ 20,292,048**	$ 14,762,683
Medicare	**3,875,826**	2,338,375
Medicaid	**2,686,476**	2,161,458
Total patient accounts receivable	**26,854,350**	19,262,516
Less allowance for uncollectible accounts	**5,307,000**	3,756,000
Patient accounts receivable, net	**$ 21,547,350**	$ 15,506,516

4. Capital Assets:

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

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
Capital assets not being depreciated or amortized					
Land	$ 478,396	$ -	$ -	$ -	**$ 478,396**
Construction in progress	6,104,536	45,376,971	-	-	**51,481,507**
Land held for investment	2,643,386	-	-	-	**2,643,386**
Total capital assets not being depreciated or amortized	9,226,318	45,376,971	-	-	**54,603,289**
Capital assets being depreciated or amortized					
Land improvements	632,699	-	-	-	**632,699**
Buildings and improvements	22,350,211	9,460	-	-	**22,359,671**
Equipment	25,058,112	1,125,396	-	-	**26,183,508**
Buildings held for investment	786,555	-	-	-	**786,555**
Subscription assets	-	772,320	-	-	**772,320**
Lease right-of-use assets					
Buildings	12,687,627	-	-	-	**12,687,627**
Equipment	1,755,243	-	-	-	**1,755,243**
Total capital assets being depreciated or amortized	63,270,447	1,907,176	-	-	**65,177,623**
Less accumulated depreciation and amortization for					
Land improvements	(562,133)	(15,782)	-	-	**(577,915)**
Buildings and improvements	(15,875,849)	(457,056)	-	-	**(16,332,905)**
Equipment	(16,770,441)	(2,127,697)	-	-	**(18,898,138)**
Buildings held for investment	(689,955)	(18,401)	-	-	**(708,356)**
Subscription assets	-	(171,149)	-	-	**(171,149)**
Lease right-of-use assets					
Buildings	(551,398)	(551,398)	-	-	**(1,102,796)**
Equipment	(628,766)	(628,766)	-	-	**(1,257,532)**
Total accumulated depreciation and amortization	(35,078,542)	(3,970,249)	-	-	**(39,048,791)**
Total capital assets being depreciated and amortized, net	28,191,905	(2,063,073)	-	-	**26,128,832**
Capital assets, net	**$ 37,418,223**	**$ 43,313,898**	**$ -**	**$ -**	**$ 80,732,121**

4. Capital Assets (continued):

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
Capital assets not being depreciated or amortized					
Land	$ 478,396	$ -	$ -	$ -	**$ 478,396**
Construction in progress	4,226,277	2,526,520	-	(648,261)	**6,104,536**
Land held for investment	2,649,946	-	(23,760)	17,200	**2,643,386**
Total capital assets not being depreciated or amortized	7,354,619	2,526,520	(23,760)	(631,061)	**9,226,318**
Capital assets being depreciated or amortized					
Land improvements	632,699	-	-	-	**632,699**
Buildings and improvements	22,116,993	233,218	-	-	**22,350,211**
Equipment	23,415,735	1,161,119	(167,003)	648,261	**25,058,112**
Buildings held for investment	803,755	-	-	(17,200)	**786,555**
Lease right-of-use assets					
Buildings	-	12,687,627	-	-	**12,687,627**
Equipment	-	1,755,243	-	-	**1,755,243**
Total capital assets being depreciated or amortized	46,969,182	15,837,207	(167,003)	631,061	**63,270,447**
Less accumulated depreciation and amortization for					
Land improvements	(528,471)	(33,662)	-	-	**(562,133)**
Buildings and improvements	(15,392,629)	(483,220)	-	-	**(15,875,849)**
Equipment	(14,804,667)	(2,110,602)	144,828	-	**(16,770,441)**
Buildings held for investment	(684,455)	(5,500)	-	-	**(689,955)**
Lease right-of-use assets					
Buildings	-	(551,398)	-	-	**(551,398)**
Equipment	-	(628,766)	-	-	**(628,766)**
Total accumulated depreciation and amortization	(31,410,222)	(3,813,148)	144,828	-	**(35,078,542)**
Total capital assets being depreciated or amortized, net	15,558,960	12,024,059	(22,175)	631,061	**28,191,905**
Capital assets, net	**$ 22,913,579**	**$ 14,550,579**	**$ (45,935)**	**$ -**	**$ 37,418,223**

Construction in progress as of December 31, 2023, consisted primarily of a new hospital building estimated to be completed in January 2025, with an estimated remaining total cost of $58,700,000. The remaining costs are expected to be funded through loans and grants from the United States Department of Agriculture, Rural Development (USDA).

5. Employee Health Self-insurance:

The District self-insures the cost of employee health care. The District accrues an incurred but not reported (IBNR) liability for plan claims that have been incurred but have not yet been reported to the District. The liability is included in accrued payroll and related liabilities on the statements of net position. The District also purchased annual stop-loss insurance coverage for all claims in excess of $175,000 per eligible participant.

Changes in the District's IBNR amount were as follows:

	2023	2022
Claim liability, beginning of year	**$ 550,000**	$ 550,000
Current year claims and changes in estimates	**6,637,242**	4,077,451
Claim payments	**(6,527,242)**	(4,077,451)
Claim liability, end of year	**$ 660,000**	$ 550,000

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

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

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Long-term debt					
2014 LTGO Bonds	$ 5,410,000	$ -	$ (325,000)	$ 5,085,000	$ 345,000
Bank of America Conditional Sales Agreement	4,042,087	-	(582,731)	3,459,356	599,437
2020 GE Government Finance, Inc.	605,827	-	(233,542)	372,285	283,450
Western Alliance Business Trust	50,001	22,469,197	-	22,519,198	-
Bond Premiums	26,137	-	(3,604)	22,533	-
Total long-term debt	10,134,052	22,469,197	(1,144,877)	31,458,372	1,227,887
Lease and subscription liabilities					
PPC, LLC - Prosser Clinic	4,835,665	-	(112,160)	4,723,505	120,728
PPC, LLC - Prosser Therapy & Rehab Center	2,254,683	-	(51,377)	2,203,306	54,648
PPC, LLC - Prosser Women's Health Center	980,580	-	(80,670)	899,910	83,123
BCPC, LLC - Family Medicine Clinic and Dermatology Clinic	4,162,392	-	(101,821)	4,060,571	104,918
Flex Financial, a division of Stryker Sales Corporation	416,517	-	(224,352)	192,165	192,165
Olympus America, Inc.	640,198	-	(234,101)	406,097	241,221
Other lease liabilities	174,690	-	(82,774)	91,916	10,673
Subscription liabilities	-	772,320	(182,708)	589,612	178,002
Total lease and subscription liabilities	13,464,725	772,320	(1,069,963)	13,167,082	985,478
Total long-term debt, lease liabilities, and subscription liabilities	**$ 23,598,777**	**$ 23,241,517**	**$ (2,214,840)**	**$ 44,625,454**	**$ 2,213,365**

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

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Long-term debt					
2014 LTGO Bonds	$ 5,715,000	$ -	$ (305,000)	$ 5,410,000	$ 325,000
Bank of America Conditional Sales Agreement	4,608,575	-	(566,488)	4,042,087	582,730
2020 GE Government Finance, Inc.	854,321	-	(248,494)	605,827	255,105
Western Alliance Business Trust	-	50,001	-	50,001	-
Bond Premiums	29,956	-	(3,819)	26,137	-
Total long-term debt	11,207,852	50,001	(1,123,801)	10,134,052	1,162,835
Lease liabilities					
PPC, LLC - Prosser Clinic	-	4,954,405	(118,740)	4,835,665	112,160
PPC, LLC - Prosser Therapy & Rehab Center	-	2,307,031	(52,348)	2,254,683	51,377
PPC, LLC - Prosser Women's Health Center	-	1,061,516	(80,936)	980,580	80,670
BCPC, LLC - Family Medicine Clinic and Dermatology Clinic	-	4,271,860	(109,468)	4,162,392	101,821
Flex Financial, a division of Stryker Sales Corporation	-	634,268	(217,751)	416,517	224,352
Olympus America, Inc.	-	867,418	(227,220)	640,198	234,101
Other lease liabilities	-	346,372	(171,682)	174,690	82,774
Total lease liabilities	-	14,442,870	(978,145)	13,464,725	887,255
Total long-term debt and lease liabilities	**$ 11,207,852**	**$ 14,492,871**	**$ (2,101,946)**	**$ 23,598,777**	**$ 2,050,090**

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

- Limited Tax General Obligation Bonds, dated May 28, 2014, in the original amount of $7,000,000, for the purpose of improvements and expansion of District facilities. The bonds are payable semiannually on June 1 and December 1 in the remaining principal amounts ranging from $345,000 to $600,000 through 2034. The bonds are subject to redemption prior to their stated maturities. Interest is at a variable rate between 3.5 percent and 4 percent. The District has irrevocably pledged to include in its budget and levy taxes annually on all of the property within the District subject to taxation in amounts that will be sufficient to pay the principal and interest on the bonds as they become due.
- Bond payable to Bank of America, dated May 23, 2019, in the original amount of $6,000,000, for the purpose of improvements and expansion of District facilities. Installments of $57,467 are due monthly, including interest at 2.8 percent, through May 2029.
- Note payable to GE Government Finance, Inc., dated March 6, 2020, in the original amount of $1,254,257 for the purpose of purchasing medical equipment. Installments of $22,330 are due monthly, including interest at 2.57 percent, through April 2025.
- Bond payable to Western Alliance Business Trust, dated November 23, 2022, for construction of a new hospital building. The USDA approved a commitment of up to $80,500,000 of USDA Hospital Revenue Bond Direct Loans and Limited Tax General Obligation Bond Direct Loans during the construction of the new hospital building through Western Alliance Business Trust. The District is permitted to draw from the loan through November 2024, with the option to extend maturity with three months' notice. At December 31, 2023 and 2022, the District had drawn $22,519,198 and $50,001 from the loan, respectively. After all draws are complete, the bond will be converted to long-term loans financed through the USDA. The terms of the loans are still being finalized.

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

Lease liabilities – The terms and due dates of the District's lease liabilities are as follows:

- Lease liability payable to PPC, LLC for the Prosser Clinic in the amount of $4,954,405 due in monthly installments between $21,308 and $23,983, including interest at 3 percent, through April 2047.
- Lease liability payable to PPC, LLC for the Prosser Therapy & Rehab Clinic in the amount of $2,307,031, due in monthly installments between $10,000 and $11,255, including interest at 3 percent, through April 2047.
- Lease liability payable to PPC, LLC for the Prosser Women's Health Center in the amount of $1,061,516, due in monthly installments of $9,082, including interest at 3 percent, through June 2033.
- Lease liability payable to BCPC, LLC for the Family Medicine and Dermatology Clinics in the amount of $4,271,860, due in monthly installments between $18,775 and $20,713, including interest at 3 percent, through April 2047.
- Lease liability payable to Flex Financial, a division of Stryker Sales Corporation, for surgical equipment in the amount of $634,268, due in monthly installments of $19,482, including interest at 3 percent, through October 2024.
- Lease liability payable to Olympus America, Inc. for surgical equipment in the amount of $867,418, due in monthly installments of $20,842, including interest at 3 percent, through August 2025.
- Other lease liabilities payable to various lenders in the amount of $346,372, due in monthly installments between $607 and $7,739, including interest from 3 percent to 6 percent, through June 2037.

Subscription liabilities – Subscription liabilities payable to various vendors in the amount of $772,320, due in monthly installments between $4,172 and $8,263, including interest at 5 percent, through March 2027.

The District's lease and subscription agreements do not contain any material residual value guarantees or material restrictive covenants. Lease and subscription liabilities are reflected in the District's assets and liabilities.

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

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

Years Ending December 31,	Long-term Debt			Lease and Subscription Liabilities		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2024	$ 1,227,887	$ 290,428	**$ 1,518,315**	$ 985,477	$ 394,949	**$ 1,380,426**
2025	1,070,458	253,853	**1,324,311**	739,061	364,679	**1,103,740**
2026	1,019,302	222,913	**1,242,215**	529,767	341,513	**871,280**
2027	1,062,487	176,902	**1,239,389**	524,817	323,706	**848,523**
2028	1,101,194	172,546	**1,273,740**	420,255	334,579	**754,834**
2029-2033	2,835,313	435,884	**3,271,197**	2,543,000	1,306,312	**3,849,312**
2034-2038	600,000	24,000	**624,000**	2,451,422	932,670	**3,384,092**
2039-2043	-	-	**-**	2,817,839	539,221	**3,357,060**
2044-2048	-	-	**-**	2,155,444	110,791	**2,266,235**
	$ 8,916,641	**$ 1,576,526**	**$ 10,493,167**	**$ 13,167,082**	**$ 4,648,420**	**$ 17,815,502**

Western Alliance Business Trust	$ 22,519,198
Total long-term debt	**$ 31,435,839**

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 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 (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2023	2022
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 32,110,788**	$ 24,633,761
Medicaid	**30,728,896**	25,321,604
Other third-party payors	**56,112,865**	41,877,712
Patients	**14,238,769**	9,751,782
	133,191,318	101,584,859
Less:		
Charity care	**(6,180,051)**	(4,347,939)
Provision for bad debts	**(9,371,978)**	(3,523,104)
Net patient service revenue	**$ 117,639,289**	$ 93,713,816

7. Net Patient Service Revenue (continued):

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

- *Medicare* – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient, skilled swing bed, and outpatient services and rural health clinic visits on a cost basis as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

- *Medicaid* – Medicaid beneficiaries receive coverage through either the Washington State Health Care Authority (HCA) or Medicaid managed care organizations (MCOs). The District is reimbursed for MCO covered inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses of the District. The District is reimbursed by the HCA for inpatient and outpatient services under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and review by HCA. Rural health clinic services are paid on a prospectively set rate per visit.

- *Other commercial payors* – The District also has entered into payment agreements with certain commercial insurance carriers, managed care 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 Medicare, Medicaid, and other 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.

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 $2,028,000 and $1,447,000, respectively.

8. Property Taxes:

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

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

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

For 2023, the District's regular tax levy was $0.32 per $1,000 on a total assessed valuation of $3,017,018,710 for a total regular levy of $958,905. For 2022, the District's regular tax levy was $0.33 per $1,000 on a total assessed valuation of $2,807,972,584 for a total regular levy of $914,360.

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.

9. Retirement Plans:

403(b) Plan – The District contributes to the Prosser Public Hospital District 403(b) Plan (the Plan), a defined contribution pension plan, for its full-time general administrative employees. The Plan is administered by the District. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Commissioners. The District is required to contribute 3 percent of annual salary, exclusive of overtime pay, to individual employee accounts for each participating employee. Employees are permitted to make contributions up to applicable Code limits. Employer contributions to the Plan totaled approximately $1,343,000 and $1,135,000 for the years ended December 31, 2023 and 2022, respectively. Employee contributions totaled approximately $2,079,000 and $1,588,000 in 2023 and 2022, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become eligible for District contributions and earnings on District contributions if they are 21 years of age and have completed one year of service. District contributions and earnings on the District contributions are vested immediately.

9. Retirement Plans (continued):

457 Plan – The District also sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The name of the plan is Prosser Public Health District 457 Plan. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees become eligible to participate in the plan beginning on the first day of employment. Employee contributions to the plan totaled approximately $375,000 and $300,000 for the years ended December 31, 2023 and 2022, respectively.

10. Defined Benefit Pension Plan:

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

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

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

The DRS CAFR may also be downloaded from the DRS website at the following URL: http://www.drs.wa.gov/administration/annual-report.

Benefits provided – LEOFF provides retirement, disability and death benefits. Retirement benefits are determined as 2 percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at age 53 with at least 5 years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3 percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. Plan members are vested after the completion of five years of eligible service.

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

10. Defined Benefit Pension Plan (continued):

***Participating members* –** Employee membership data related to LEOFF, as of June 30, 2023, the date of the latest valuation, were as follows:

Inactive plan members or beneficiaries currently receiving benefits	10,011
Inactive plan members entitled to but not yet receiving benefits	1,438
Active plan members	12,915
	24,364

Contribution rates – The LEOFF employer and employee contribution rates are developed by the Office of the State Actuary to fully fund LEOFF. Employers and employees pay at the rate the LEOFF Retirement Board adopts.

The LEOFF required contribution rates for 2023 and 2022 (expressed as a percentage of covered payroll) are as follows:

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

The District's actual contributions to the plan were $51,817 and $39,697 for the years ended December 31, 2023 and 2022, respectively.

The legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF in accordance with the recommendations of the Office of the State Actuary (OSA) and the LEOFF Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

For the state fiscal years ended June 30, 2023 and 2022, the state contributed $87,966,142 and $81,388,085 to LEOFF, respectively. The amount recognized by the District for its proportionate share of this amount is $33,090 and $25,715, respectively.

10. Defined Benefit Pension Plan (continued):

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

- **Inflation:** 2.75 percent total economic inflation; 3.25 percent salary inflation
- **Salary increases:** In addition to the base 3.25 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7 percent

Mortality rates were based on the RP-2010 *Combined Healthy Table and Combined Disabled Table*, published by the Society of Actuaries. The OSA applied offsets to each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

Long-term expected rate of return – OSA selected a 7 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that proceeded past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

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

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

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

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

10. Defined Benefit Pension Plan (continued):

Long-term expected rate of return (continued) – Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below.

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

The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Discount rate – The discount rate used to measure the total pension liability for all DRS plans was 7 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate – The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

	Discount Rate	District's Proportionate Share of Net Pension Asset
1% decrease	6.00%	$ (84,623)
Current discount rate	7.00%	511,093
1% increase	8.00%	998,636

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

10. Defined Benefit Pension Plan (continued):

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2023, the District reported a total pension asset of $511,093 for its proportionate share of the net pension asset.

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

	2023	2022
Employer's proportionate share	$ 511,093	$ (484,647)
State's proportionate share of the net pension asset associated with the employer	(326,379)	(313,944)
Total	**$ 184,714**	**$ (798,591)**

The District's proportionate share of the collective net pension asset was as follows:

2023		
Plan	**Allocation %**	**(Asset)**
LEOFF	0.021308%	$ 511,093

2022		
Plan	**Allocation %**	**(Asset)**
LEOFF	0.017833%	$ (484,647)

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

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

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

Pension expense – For the years ended December 31, 2023 and 2022, the District recognized pension expenses related to LEOFF of $748 and $96,388, respectively.

10. Defined Benefit Pension Plan (continued):

Deferred outflows of resources and deferred inflows of resources – At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 208,765	$ (4,203)
Changes in assumptions or other inputs	130,557	(41,982)
Changes in proportion and differences between contributions and proportionate share of contributions	105,025	(89,873)
Net difference between projected and actual earnings on plan investments	-	(108,146)
The District's contributions subsequent to the measurement date	24,997	-
	$ 469,344	**$ (244,204)**

2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 115,160	$ (4,497)
Changes in assumptions or other inputs	122,775	(42,200)
Changes in proportion and differences between contributions and proportionate share of contributions	118,762	-
Net difference between projected and actual earnings on plan investments	-	(162,278)
The District's contributions subsequent to the measurement date	19,708	-
	$ 376,405	**$ (208,975)**

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as an addition to pension expense in the year ending December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 56,739	$ (95,647)
2025	56,739	(72,328)
2026	56,739	-
2027	56,739	(18,990)
2028	55,994	(15,386)
Thereafter	161,397	(41,853)
Total	**$ 444,347**	**$ (244,204)**

11. Risk Management and Contingencies:

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

Medical malpractice claims – The District has professional liability insurance coverage with Physicians Insurance. The policy provides protection on a "claims-made" basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the District purchases insurance to cover prior acts.

The current professional liability insurance provides $1,000,000 per claim of primary coverage with an annual aggregate limit of $5,000,000. The policy has no deductible per claim.

The District also has excess professional liability insurance with Physicians Insurance on a "claims-made" basis. The excess malpractice insurance provides $2,000,000 per claim of primary coverage with an annual aggregate limit of $2,000,000. The policy has no deductible per claim.

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, and 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.

Workers' compensation – The District has a self-insured workers' compensation plan. The District participates in the Public Hospital District Workers' Compensation Trust, which is a risk transfer pool administered by the Washington State Hospital Association. The District pays its share of actual workers' compensation claims, maintenance of reserves, and administrative expenses.

12. Concentration of Risk:

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

The mix of receivables from patients was as follows:

	2023	2022
Medicare	**27 %**	22 %
Medicaid	**19**	24
Other third-party payors	**38**	40
Patients	**16**	14
	100 %	100 %

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

Collective bargaining unit – The District has collective bargaining agreements with Washington State Council of County and City Employees and International Association of Firefighters through December 31, 2026, and Service Employees Union Healthcare 1199NW through June 30, 2024. As of December 31, 2023 and 2022, approximately 79 percent of the District's employees were represented by the collective bargaining units.

13. Blended Component Units:

The combining statement of net position for the year ended December 31, 2023, is as follows:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Current assets				
Cash and cash equivalents	$ 12,009,394	$ 555,152	$ -	**$ 12,564,546**
Investments	-	576,382	-	**576,382**
Receivables:				
Patient accounts	21,547,350	-	-	**21,547,350**
Other	252,520	641,712	(5,953)	**888,279**
Estimated third-party payor settlements	1,254,000	-	-	**1,254,000**
Inventories	811,501	20,288	-	**831,789**
Physician advances	371,629	-	-	**371,629**
Prepaid expenses	1,355,851	-	-	**1,355,851**
Total current assets	37,602,245	1,793,534	(5,953)	**39,389,826**
Noncurrent assets				
Cash and cash equivalents limited as to use for capital acquisitions	783,328	-	-	**783,328**
Cash and cash equivalents restricted by debt agreement for capital acquisitions	6,030,161	-	-	**6,030,161**
Investments limited as to use for capital acquisitions	14,616,327	-	-	**14,616,327**
Net pension asset	511,093	-	-	**511,093**
Capital assets, net	80,732,121	-	-	**80,732,121**
Total noncurrent assets	102,673,030	-	-	**102,673,030**
Deferred outflows of resources, pension plan	469,344	-	-	**469,344**
Total assets and deferred outflows of resources	$ 140,744,619	$ 1,793,534	$ (5,953)	**$ 142,532,200**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current liabilities				
Accounts payable	$ 4,486,587	$ 33,244	$ (5,953)	**$ 4,513,878**
Capital accounts payable	10,709,417	-	-	**10,709,417**
Accrued payroll and related liabilities	3,039,433	-	-	**3,039,433**
Accrued leave	2,358,371	-	-	**2,358,371**
Estimated third-party payor settlements	1,667,000	-	-	**1,667,000**
Current portion of long-term debt	1,227,887	-	-	**1,227,887**
Current maturities of lease and subscription liabilities	985,478	-	-	**985,478**
Total current liabilities	24,474,173	33,244	(5,953)	**24,501,464**
Noncurrent liabilities				
Long-term debt, net of current portion	30,230,485	-	-	**30,230,485**
Lease and subscription liabilities, net of current maturities	12,181,604	-	-	**12,181,604**
Total noncurrent liabilities	42,412,089	-	-	**42,412,089**
Total liabilities	66,886,262	33,244	(5,953)	**66,913,553**
Deferred inflows of resources, pension plan	244,204	-	-	**244,204**
Net position				
Net investment in capital assets	31,427,411	-	-	**31,427,411**
Unrestricted	42,186,742	1,760,290	-	**43,947,032**
Total net position	73,614,153	1,760,290	-	**75,374,443**
Total liabilities, deferred inflows of resources, and net position	$ 140,744,619	$ 1,793,534	$ (5,953)	**$ 142,532,200**

13. Blended Component Units (continued):

The combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2023, is as follows:

	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Operating revenues				
Net patient service revenue	$ 117,639,289	$ -	$ -	**$ 117,639,289**
Grants	125,036	-	-	**125,036**
Other	599,494	-	-	**599,494**
Total operating revenues	118,363,819	-	-	**118,363,819**
Operating expenses				
Salaries and wages	46,313,785	-	-	**46,313,785**
Employee benefits	11,777,727	-	-	**11,777,727**
Professional fees	12,517,700	-	-	**12,517,700**
Purchased services	9,519,909	-	-	**9,519,909**
Supplies	15,490,224	-	-	**15,490,224**
Insurance	666,696	-	-	**666,696**
Utilities	649,187	-	-	**649,187**
Depreciation and amortization	3,970,249	-	-	**3,970,249**
Repairs and maintenance	796,642	-	-	**796,642**
Licenses and taxes	797,162	-	-	**797,162**
Leases and rentals	756,340	-	-	**756,340**
Other	2,126,455	-	-	**2,126,455**
Total operating expenses	105,382,076	-	-	**105,382,076**
Operating income	12,981,743	-	-	**12,981,743**
Nonoperating revenues (expenses)				
Taxation for maintenance and operations	987,594	-	-	**987,594**
Investment gain	627,743	105,188	-	**732,931**
Interest expense	(946,190)	-	-	**(946,190)**
Gift shop and retail revenue	-	580,456	-	**580,456**
Gift shop and retail expenses	-	(297,899)	-	**(297,899)**
Fundraising events revenue	-	151,706	-	**151,706**
Fundraising events expenses	-	(91,808)	-	**(91,808)**
Other Foundation expenses	-	(59,036)	-	**(59,036)**
Contributions	-	13,815	-	**13,815**
Total nonoperating revenues, net	669,147	402,422	-	**1,071,569**
Change in net position before capital contributions	13,650,890	402,422	-	**14,053,312**
Capital contributions	-	517,230	-	**517,230**
Change in net position	13,650,890	919,652	-	**14,570,542**
Net position, beginning of year	59,963,263	840,638	-	**60,803,901**
Net position, end of year	$ 73,614,153	$ 1,760,290	$ -	**$ 75,374,443**

13. Blended Component Units (continued):

The combining statement of cash flows for the year ended December 31, 2023, is as follows:

	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Increase (Decrease) in Cash and Cash Equivalents				
Cash flows from operating activities				
Cash received from and on behalf of patients	$ 109,841,742	$ -	$ -	**$ 109,841,742**
Cash received from other revenue	599,494	-	-	**599,494**
Cash received from operating grants	125,036	-	-	**125,036**
Cash paid to and on behalf of employees	(56,557,165)	-	-	**(56,557,165)**
Cash paid to suppliers and contractors	(41,583,555)	-	-	**(41,583,555)**
Net cash from operating activities	12,425,552	-	-	**12,425,552**
Cash flows from noncapital financing activities				
Taxes received for maintenance and operations	997,697	-	-	**997,697**
Gift shop revenue	-	580,456	-	**580,456**
Gift shop expenses	-	(297,344)	-	**(297,344)**
Fundraising event revenue	-	151,706	-	**151,706**
Fundraising event expenses	-	(91,808)	-	**(91,808)**
Other Foundation expenses	-	(43,814)	-	**(43,814)**
Contributions received	-	10,130	-	**10,130**
Net cash from noncapital financing activities	997,697	309,326	-	**1,307,023**
Cash flows from capital and related financing activities				
Purchase of capital assets	(35,802,410)	(5,135)	-	**(35,807,545)**
Principal payments on long-term debt	(1,141,273)	-	-	**(1,141,273)**
Interest paid	(952,198)	-	-	**(952,198)**
Principal payments on lease and subscription liabilities	(1,069,963)	-	-	**(1,069,963)**
Proceeds from the issuance of long-term debt	22,469,197	-	-	**22,469,197**
Capital contributions received	-	49,918	-	**49,918**
Net cash from capital and related financing activities	(16,496,647)	44,783	-	**(16,451,864)**
Cash flows from investing activities				
Sale of investments	(4,843,237)	-	-	**(4,843,237)**
Interest received	146,294	-	-	**146,294**
Net cash from investing activities	(4,696,943)	-	-	**(4,696,943)**
Net change in cash and cash equivalents	(7,770,341)	354,109	-	**(7,416,232)**
Cash and cash equivalents, beginning of year	26,593,224	201,043	-	**26,794,267**
Cash and cash equivalents, end of year	$ 18,822,883	$ 555,152	$ -	**$ 19,378,035**

13. Blended Component Units (continued):

The combining statement of cash flows for the year ended December 31, 2023, continues as follows:

	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Reconciliation of Cash and Cash Equivalents to the Combined Statements of Net Position				
Cash and cash equivalents	$ 12,009,394	$ 555,152	$ -	**$ 12,564,546**
Cash and cash equivalents limited as to use for capital acquisitions	783,328	-	-	**783,328**
Cash and cash equivalents restricted by debt agreement for capital acquisitions	6,030,161	-	-	**6,030,161**
Total cash and cash equivalents	$ 18,822,883	$ 555,152	$ -	**$ 19,378,035**
Reconciliation of Operating Income to Net Cash From Operating Activities				
Operating income	$ 12,981,743	$ -	$ -	**$ 12,981,743**
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization	3,970,249	-	-	**3,970,249**
Provision for bad debts	9,371,978	-	-	**9,371,978**
(Increase) decrease in assets and deferred outflows of resources:				
Receivables:				
Patient accounts, net	(15,412,812)	-	-	**(15,412,812)**
Estimated third-party payor settlements	(1,254,000)	-	-	**(1,254,000)**
Other	(207,656)	-	-	**(207,656)**
Inventories	(159,381)	-	-	**(159,381)**
Physician advances	(224,258)	-	-	**(224,258)**
Prepaid expenses	(237,424)	-	-	**(237,424)**
Net pension asset	(26,446)	-	-	**(26,446)**
Deferred outflows of resources, pension plan	(92,939)	-	-	**(92,939)**
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	2,565,479	-	-	**2,565,479**
Accrued payroll and related liabilities	1,321,863	-	-	**1,321,863**
Accrued leave	296,640	-	-	**296,640**
Estimated third-party payor settlements	(502,713)	-	-	**(502,713)**
Deferred inflows of resources, pension plan	35,229	-	-	**35,229**
Net cash from operating activities	$ 12,425,552	$ -	$ -	**$ 12,425,552**

13. Blended Component Units (continued):

The combining statement of net position for the year ended December 31, 2022, is as follows:

ASSETS	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Current assets				
Cash and cash equivalents	$ 6,167,333	$ 201,043	$ -	**$ 6,368,376**
Investments	-	471,749	-	**471,749**
Receivables:				
Patient accounts	15,506,516	-	-	**15,506,516**
Other	54,967	170,586	(47,612)	**177,941**
Inventories	652,120	16,147	-	**668,267**
Physician advances	147,371	-	-	**147,371**
Prepaid expenses	1,118,427	200	-	**1,118,627**
Total current assets	23,646,734	859,725	(47,612)	**24,458,847**
Noncurrent assets				
Cash and cash equivalents limited as to use for capital acquisitions	2,963,331	-	-	**2,963,331**
Cash and cash equivalents restricted by debt capital acquisitions	17,462,560	-	-	**17,462,560**
Investments limited as to use for capital acquisitions	9,291,641	-	-	**9,291,641**
Net pension asset	484,647	-	-	**484,647**
Capital assets, net	37,418,223	-	-	**37,418,223**
Total noncurrent assets	67,620,402	-	-	**67,620,402**
Deferred outflows of resources, pension plan	376,405	-	-	**376,405**
Total assets	$ 91,643,541	$ 859,725	$ (47,612)	**$ 92,455,654**
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	$ 1,923,512	$ 19,087	$ (47,612)	**$ 1,894,987**
Accrued payroll and related liabilities	1,717,570	-	-	**1,717,570**
Accrued leave	2,061,731	-	-	**2,061,731**
Estimated third-party payor settlements	2,169,713	-	-	**2,169,713**
Current portion of long-term debt	887,255	-	-	**887,255**
Current maturities of lease liabilities	1,162,835	-	-	**1,162,835**
Total current liabilities	9,922,616	19,087	(47,612)	**9,894,091**
Noncurrent liabilities				
Long-term debt, net of current portion	8,971,217	-	-	**8,971,217**
Lease liabilities, net of current maturities	12,577,470	-	-	**12,577,470**
Total noncurrent liabilities	21,548,687	-	-	**21,548,687**
Total liabilities	31,471,303	19,087	(47,612)	**31,442,778**
Deferred inflows of resources, pension plan	208,975	-	-	**208,975**
Net position				
Net investment in capital assets	31,282,006	-	-	**31,282,006**
Unrestricted	28,681,257	840,638	-	**29,521,895**
Total net position	59,963,263	840,638	-	**60,803,901**
Total liabilities and net position	$ 91,643,541	$ 859,725	$ (47,612)	**$ 92,455,654**

13. Blended Component Units (continued):

The combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2022, is as follows:

	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Operating revenues				
Net patient service revenue	$ 93,713,816	$ -	$ -	**$ 93,713,816**
Grants	47,297	-	-	**47,297**
Other	236,087	-	-	**236,087**
Total operating revenues	93,997,200	-	-	**93,997,200**
Operating expenses				
Salaries and wages	38,133,043	-	-	**38,133,043**
Employee benefits	8,338,244	-	-	**8,338,244**
Professional fees	10,135,773	-	-	**10,135,773**
Purchased services	6,910,578	-	-	**6,910,578**
Supplies	11,700,396	-	-	**11,700,396**
Insurance	630,617	-	-	**630,617**
Utilities	567,788	-	-	**567,788**
Depreciation and amortization	3,813,148	-	-	**3,813,148**
Repairs and maintenance	657,824	-	-	**657,824**
Licenses and taxes	625,527	-	-	**625,527**
Leases and rentals	780,737	-	-	**780,737**
Other	1,385,468	-	-	**1,385,468**
Total operating expenses	83,679,143	-	-	**83,679,143**
Operating income	10,318,057	-	-	**10,318,057**
Nonoperating revenues (expenses)				
Taxation for maintenance and operations	995,467	-	-	**995,467**
Investment loss	(882,497)	(120,673)	-	**(1,003,170)**
Interest expense	(746,440)	-	-	**(746,440)**
Debt issuance costs	(571,456)	-	-	**(571,456)**
CARES Act Provider Relief Fund	1,785,037	-	-	**1,785,037**
Gift shop and retail revenue	-	277,059	-	**277,059**
Gift shop and retail expenses	-	(244,815)	-	**(244,815)**
Fundraising events revenue	-	139,730	-	**139,730**
Fundraising events expenses	-	(131,405)	-	**(131,405)**
Fundraising and other Foundation expenses	-	(43,573)	-	**(43,573)**
Contributions	-	850	-	**850**
Total nonoperating revenues, net	580,111	(122,827)	-	**457,284**
Change in net position before capital contributions	10,898,168	(122,827)	-	**10,775,341**
Capital contributions	-	156,881	-	**156,881**
Change in net position	10,898,168	34,054	-	**10,932,222**
Net position, beginning of year	49,065,095	806,584	-	**49,871,679**
Net position, end of year	$ 59,963,263	$ 840,638	$ -	**$ 60,803,901**

13. Blended Component Units (continued):

The combining statement of cash flows for the year ended December 31, 2022, is as follows:

	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Increase (Decrease) in Cash and Cash Equivalents				
Cash flows from operating activities				
Cash received from and on behalf of patients	$ 90,740,763	$ -	$ -	**$ 90,740,763**
Cash received from other revenue	236,087	-	-	**236,087**
Cash received from operating grants	47,297	-	-	**47,297**
Cash paid to and on behalf of employees	(46,131,053)	-	-	**(46,131,053)**
Cash paid to suppliers and contractors	(33,485,831)	-	-	**(33,485,831)**
Net cash from operating activities	11,407,263	-	-	**11,407,263**
Cash flows from noncapital financing activities				
Taxes received for maintenance and operations	979,472	-	-	**979,472**
Proceeds from CARES Act Provider Relief Fund	238,321	-	-	**238,321**
Proceeds from COVID-19 grants	-	-	-	**-**
Gift shop revenue	-	277,059	-	**277,059**
Gift shop expenses	-	(244,791)	-	**(244,791)**
Fundraising event revenue	-	139,730	-	**139,730**
Fundraising event expenses	-	(131,405)	-	**(131,405)**
Other Foundation expenses	-	(33,953)	-	**(33,953)**
Contributions to others	-	-	-	**-**
Contributions received	-	850	-	**850**
Net cash provided from noncapital financing activities	1,217,793	7,490	-	**1,225,283**
Cash flows from capital and related financing activities				
Purchase of capital assets	(3,874,922)	-	-	**(3,874,922)**
Principal payments on long-term debt	(1,119,982)	-	-	**(1,119,982)**
Interest paid	(750,259)	-	-	**(750,259)**
Principal payments on leases	(978,145)	-	-	**(978,145)**
Proceeds from the issuance of long-term debt	50,001	-	-	**50,001**
Payments for bond issuance costs	(571,456)	-	-	**(571,456)**
Capital contributions received	-	124,928	-	**124,928**
Net cash from capital and related financing activities	(7,244,763)	124,928	-	**(7,119,835)**
Cash flows from investing activities				
Purchase of investments	7,283,133	-	-	**7,283,133**
Interest received	80,410	-	-	**80,410**
Net cash from investing activities	7,363,543	-	-	**7,363,543**
Net change in cash and cash equivalents	12,743,836	132,418	-	**12,876,254**
Cash and cash equivalents, beginning of year	13,849,388	68,625	-	**13,918,013**
Cash and cash equivalents, end of year	$ 26,593,224	$ 201,043	$ -	**$ 26,794,267**

13. Blended Component Units (continued):

The combining statement of cash flows for the year ended December 31, 2022, continues as follows:

	Prosser Memorial Health	Prosser Memorial Health Foundation	Eliminations	Totals
Reconciliation of Cash and Cash Equivalents to the Combined Statements of Net Position				
Cash and cash equivalents	$ 6,167,333	$ 201,043	$ -	**$ 6,368,376**
Cash and cash equivalents limited as to use for capital acquisitions	2,963,331	-	-	**2,963,331**
Cash and cash equivalents restricted by debt capital acquisitions	17,462,560	-	-	**17,462,560**
Total cash and cash equivalents	$ 26,593,224	$ 201,043	$ -	**$ 26,794,267**
Reconciliation of Operating Income to Net Cash From Operating Activities				
Operating income	$ 10,318,057	$ -	$ -	**$ 10,318,057**
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization	3,813,148	-	-	**3,813,148**
Provision for bad debts	3,523,104	-	-	**3,523,104**
(Increase) decrease in assets:				
Receivables:				
Patient accounts, net	(7,428,210)	-	-	**(7,428,210)**
Other	(10,585)	-	-	**(10,585)**
Inventories	(81,469)	-	-	**(81,469)**
Physician advances	55,824	-	-	**55,824**
Prepaid expenses	(161,559)	-	-	**(161,559)**
Net pension asset	622,204	-	-	**622,204**
Deferred outflows of resources plan	(273,392)	-	-	**(273,392)**
Increase (decrease) in liabilities:				
Accounts payable	106,666	-	-	**106,666**
Accrued payroll and related liabilities	96,975	-	-	**96,975**
Accrued leave	271,718	-	-	**271,718**
Estimated third-party payor settlements	932,053	-	-	**932,053**
Deferred electronic health records incentive revenue	(377,271)	-	-	**(377,271)**
Net cash from operating activities	**$ 11,407,263**	**$ -**	**$ -**	**$ 11,407,263**

REQUIRED SUPPLEMENTARY INFORMATION

Prosser Public Hospital District
doing business as Prosser Memorial Health
Schedule of the District's Proportionate Share of the Net Pension Asset
Law Enforcement Officers' and Fire Fighters' Plan 2
Last 10 Years *

	Law Enforcement Officers' and Fire Fighters' Plan 2						
December 31,	District's Portion of the Net Pension Asset	District's Proportionate Share of the Net Pension (Asset)	State's Proportionate Share of the Net Pension Asset Associated with the Employer	Total	District's Covered-employee Payroll	District's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
2021	0.019056%	$ (1,106,851)	$ (714,040)	$ (1,820,891)	$ 603,108	183.52%	142.00%
2022	0.017833%	(484,647)	(313,944)	(798,591)	775,339	62.51%	116.09%
2023	0.021308%	511,093	(326,379)	184,714	1,012,049	50.50%	113.17%

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

Data reported is measured as of June 30 (measurement date) of each year reported.

Prosser Public Hospital District
doing business as Prosser Memorial Health
Schedule of the District's Contributions
Law Enforcement Officers' and Fire Fighters' Plan 2
Last 10 Years *

	Law Enforcement Officers' and Fire Fighters' Plan 2				
December 31,	Actuarily Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	District's Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2021	$ 37,888	$ 32,057	$ (5,831)	$ 603,108	5.32%
2022	33,218	36,919	3,701	775,339	4.76%
2023	52,645	51,817	(828)	1,012,049	5.12%

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

Data reported is measured as of June 30 (measurement date) of each year reported.

SINGLE AUDIT

AUDITORS' SECTION

ACCOUNTANTS | ADVISORS

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
Prosser Public Hospital District
doing business as Prosser Memorial Health
Prosser, 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 combined financial statements of Prosser Public Hospital District doing business as Prosser Memorial Health (the District) as of and for the year ended December 31, 2023, and the related notes to the combined financial statements, which collectively comprise the District's combined basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

DZA PLLC

Spokane Valley, Washington
March 19, 2024

ACCOUNTANTS | ADVISORS

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

Board of Commissioners
Prosser Public Hospital District
doing business as Prosser Memorial Health
Prosser, Washington

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Prosser Public Hospital District doing business as Prosser Memorial Health'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, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

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

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

12015 E Main Ave | Spokane Valley, WA 99206 | 509.242.0874 | www.dza.cpa

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 programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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.

DZA PLLC

Spokane Valley, Washington
March 19, 2024

Prosser Public Hospital District
doing business as Prosser Memorial Health
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	***Unmodified***		
Internal control over financial reporting:			
• Material weakness(es) identified?	___ yes	X no	
• Significant deficiency(ies) identified?	___ yes	X none reported	
Noncompliance material to financial statements noted?	___ yes	X no	

Federal Awards:

Internal control over the major program:			
• Material weakness(es) identified?	___ yes	X no	
• Significant deficiency(ies) identified?	___ yes	X none reported	
Type of auditors' report issued on compliance for the major 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 program:

Assistance Listing Number	*Name of Federal Program or Cluster*
10.766	Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? X yes ___ no

Section II – Financial Statement Findings

No matters were reported for 2023. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Awards Findings and Questioned Costs

No matters were reported for 2023. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Prosser Public Hospital District
doing business as Prosser Memorial Health
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Agriculture Pass-through Programs from:				
Community Facilities Loans and Grants Cluster				
Western Alliance Business Trust				
Community Facilities Loans and Grants	10.766	70001		$ 32,887,613
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	228,453
U.S. Department of Health and Human Services Pass-through Programs from:				
Washington State Department of Health				
Small Rural Hospital Improvement Grant Program	93.301	CBO27149		12,598
Total U.S. Department of Health and Human Services				241,051
Total expenditures of federal awards				**$ 33,128,664**

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 Prosser Public Hospital District doing business as Prosser Memorial Health (the District) under programs of the federal government for the year ended December 31, 2023. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the June 30, 2023, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

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

3. Federal Loan:

The Schedule includes federal assistance in the form of a loan. The USDA approved a commitment of up to $80,500,000 of USDA Hospital Revenue Bond Direct Loans and Limited Tax General Obligation Bond Direct Loans during the construction of the new hospital building through Western Alliance Business Trust. The amount listed for this loan includes the beginning of the period loan balance plus proceeds used during the year, including amounts incurred in 2023 for draws finalized after the end of the year. The related loan balance was $22,519,198 at December 31, 2023.

Prosser Public Hospital District
doing business as Prosser Memorial Health
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

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