

Curry Health District

Basic Financial Statements and Independent Auditors' Reports

June 30, 2020 and 2019



DINGUS | ZARECOR & ASSOCIATES^{PLLC}
Certified Public Accountants

Curry Health District
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INTRODUCTORY SECTION

**Curry Health District
Governing Board and Principal Employee
June 30, 2020 and 2019**

Members of the Board of Directors as of July 1, 2019:

Ryan Ringer
94220 Fourth St.
Gold Beach, Oregon 97444

Bo Shindler
94220 Fourth St.
Gold Beach, Oregon 97444

Karen Kennedy
94220 Fourth St.
Gold Beach, Oregon 97444

Bryan Grummon
94220 Fourth St.
Gold Beach, Oregon 97444

Laurie Van Zante
94220 Fourth St.
Gold Beach, Oregon 97444

Curry Health District has designated the following registered agent and office as of July 1, 2019.

Registered agent	Virginia Williams
Registered office	94220 Fourth St. Gold Beach, Oregon 97444

FINANCIAL SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Curry Health District
Gold Beach, Oregon

Report on the Basic Financial Statements

We have audited the accompanying financial statements of Curry Health District (the District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Resources and Expenditures – Budget vs. Actual on page 32 and Schedule of Property Tax Transactions and Outstanding Balances on page 33 are presented for purposes of additional analysis and are 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Resources and Expenditures – Budget vs. Actual, and the Schedule of Property Tax Transactions and Outstanding Balances are 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 December 7, 2020, 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 June 30, 2020. We issued a similar report for the year ended June 30, 2019, dated November 14, 2019, which has not been included with the 2020 financial and compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing 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.

Other Reporting Required by Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated December 7, 2020, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Dingus, Zarecor & Associates PLLC
Spokane Valley, Washington
December 7, 2020

**Curry Health District
Management's Discussion and Analysis
June 30, 2020 and 2019**

This "Discussion and Analysis" provides an overview of the financial activities of Curry Health District (the District) for the fiscal years ended June 30, 2020, 2019, and 2018. It should be read in conjunction with the District's financial statements that follow.

The District is a governmental entity organized under the laws of the state of Oregon with five publicly elected board members who serve four-year terms. The District levies and collects property taxes from property owners within the District. The Governmental Accounting Standards Board prescribes the financial reporting format for the District. The state of Oregon's Auditor's Office maintains copies of the audited financial statements.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the District's finances begins on page 8. One of the most important questions asked about the District's finances is, "Is the District better or worse off because of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in it. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as the local economic factors to assess the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The District's Services

In fiscal year 2020, the District operated several healthcare facilities in Curry County, Oregon:

- A Rural Health Clinic in Port Orford – with 1,823 clinic and 1,167 ancillary visits
- Curry General Hospital in Gold Beach, a Critical Access Hospital (CAH) – with 4,937 emergency room visits, 462 hospital admissions, 7,252 clinic visits, 25,670 ancillary service (radiology, lab, therapy) visits, and 1,757 surgical procedures
- Curry Medical Center (CMC) in Brookings – with 27,497 clinic visits, 5,119 emergency room visits, and 24,939 ancillary service visits
- To staff these sites, the District directly employed 16 physicians and 14 nonphysician providers with specialties in family medicine, pediatrics, gynecology, urology, general surgery, orthopedic surgery, anesthesiology, cardiology, interventional radiology, and pain management.

**Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2020 and 2019**

The District's Services (continued)

In fiscal year 2020, 42 percent of the District's cash revenue was from traditional Medicare, 35 percent from commercial insurers, 19 percent Medicaid (OMAP), and 4 percent from patients.

Significant Events and Initiatives

The following events and transactions had significant financial impacts, which are reflected in the financial statements:

- On December 2, 2019, the District replaced the Urgent Care clinic at Curry Medical Center in Brookings with the State's first remote Emergency Room (CMC-EC). Gross revenue was \$4,000,891. The District expended \$2,968,116 (\$302,145 for capital and \$2,665,971 for operating expense) in fiscal year 2020 to open CMC-EC. Concurrently, the District opened a Same Day Clinic to accommodate for nonemergent visits.
- In July, the District paid a Lump Sum Adjustment of \$855,000 to Medicare for the fiscal year 2019 interim cost report and in February received from Medicare a Tentative Settlement of \$653,500 for the fiscal year 2019 as-filed cost report and a Lump Sum Adjustment of \$248,000 for the fiscal year 2020 interim cost report. Total net in fiscal year 2020 was a receivable of \$46,500 from Medicare.
- In March 2020, the COVID-19 pandemic prompted the Governor of Oregon to issue Executive Orders to suspend all elective surgeries and procedures as well as a stay-at-home order. These mandates resulted in a significant, across-the-board decline in District revenue. During the end of March and first weeks of April, the District took action to mitigate losses by implementing, through a variety of methods, a reduction in staffing expenses that affected employment status of a large percentage of front-line staff, support staff, and providers. From December 1, 2019 through June 30, 2020, the District showed a loss in net revenue of \$3,211,970, primarily due to the pandemic, but also due to opening the CMC-EC in Brookings. The District received funds of \$5,059,206 from US Health and Human Services as part of the CARES Act Provider Relief Fund. Due to the many rule changes, the District was only able to claim \$11,570 as revenue.
- The District received a \$4,405,300 loan from the SBA, through Umpqua Bank, for the Paycheck Protection Program. As the SBA loan is a part of the CARES Act, the District is permitted to apply for loan forgiveness and believes it has enough qualifying expenses to have a significant amount, if not all, of the loan forgiven. Any amount forgiven will be recorded as revenue once the forgiveness application has been reviewed and approved.
- Other grants related to COVID-19 totaling \$241,626 were received by the District from OREF – Oregon Health Authority, OAHHS, Humboldt Area Foundation, OHSU, Oregon Community Foundation, and Providence.
- Changes in service lines within this fiscal year included the addition of interventional radiology and the closure in April 2020 of the Curry Medical West clinic. Because of the pandemic, the District closed the Cardiology and Orthopedics departments.
- The District's lease term for the Rush Surgery Center building ended in February 2020, resulting in a savings of \$180,852 per year.

**Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2020 and 2019**

Risks

The District faces numerous financial risks, some of which derive from the healthcare industry and some from the local condition of the District's market and financial condition.

Industry

- The District is heavily dependent on reimbursement by government payors, and there is significant uncertainty from year to year regarding the amount and method of reimbursement from these sources.
- Recruitment of physicians, nurses, and other providers is becoming increasingly difficult, and there is a widely acknowledged shortage for which no end seems in sight.
- Exacerbating this shortage is the development of robust networks of larger organizations that successfully compete for the limited supply of providers. This is particularly troublesome for rural providers.
- Regulatory scrutiny is intensifying as the government deals with its increasing costs, political controversy, and evidence of illegal activity in the industry.
- One important element of this scrutiny is the Health Information Portability and Privacy Act (HIPPA). The District has implemented an electronic medical record system (EMR), and that demands careful oversight related to HIPPA requirements.
- The COVID-19 pandemic has created economic uncertainties which have negatively impacted the District's financial position.

Local Conditions

- Curry County has a small population, largely retired, with modest to low average disposable income. It is highly sensitive to macroeconomic troubles.
- There has been historically a relatively large "outmigration" of patients leaving the local area for healthcare services. A primary business goal is to reduce and minimize that outmigration.

The District's Financial Condition

- The District's cash position and current ratio require strengthening. The extent of the District's strategic initiatives has put pressure on cash flow, cash reserves, and debt capacity. Although, taken together, the initiatives make business sense and can benefit the community, they require strong revenue growth to be financially feasible. The results of operations in this fiscal year demonstrate that revenue growth, which has continued into the first quarter of Fiscal Year 2021.

Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2020 and 2019

Table 1: Statements of Net Position:

	2020	2019	2018
<i>Assets</i>			
Current assets	\$ 22,119,353	\$ 11,956,856	\$ 9,178,468
Capital assets, net	40,660,224	43,572,784	44,731,298
Other noncurrent assets	759,527	663,927	3,706,004
Total assets	\$ 63,539,104	\$ 56,193,567	\$ 57,615,770
<i>Liabilities</i>			
Current liabilities	\$ 15,077,720	\$ 5,746,126	\$ 5,509,841
Noncurrent liabilities	41,603,421	40,642,785	43,689,678
Total liabilities	56,681,141	46,388,911	49,199,519
<i>Net position</i>			
Net investment in capital assets	4,851	1,220,273	2,441,177
Restricted	759,527	663,927	567,753
Unrestricted	6,093,585	7,920,456	5,407,321
Total net position	6,857,963	9,804,656	8,416,251
Total liabilities and net position	\$ 63,539,104	\$ 56,193,567	\$ 57,615,770

Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2020 and 2019

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
<i>Operating revenues</i>			
Net patient service revenue	\$ 47,461,499	\$ 45,577,514	\$ 42,489,686
Other operating revenue	416,454	379,003	341,276
Total operating revenues	47,877,953	45,956,517	42,830,962
<i>Operating expenses</i>			
Salaries, wages, and benefits	26,901,771	25,313,452	24,591,838
Professional fees	11,182,040	7,423,676	6,775,657
Depreciation and amortization	3,721,478	3,551,119	3,406,631
Supplies and other operating expenses	8,991,428	8,960,761	8,172,419
Total operating expenses	50,796,717	45,249,008	42,946,545
<i>Operating gain (loss)</i>	(2,918,764)	707,509	(115,583)
<i>Nonoperating revenues (expenses)</i>			
Taxation for bond principal and interest	608,391	592,958	547,407
Taxation for maintenance and operations	814,807	764,764	676,534
CARES Act Provider Relief Fund	11,570	-	-
Interest income	97,269	100,888	39,450
Interest expense	(1,834,011)	(1,737,649)	(1,744,905)
Loss on disposal of capital assets	(4,580)	(9,681)	(259,093)
Other, net	278,625	969,616	23,150
Total nonoperating revenues (expenses), net	(27,929)	680,896	(717,457)
Excess revenues over expenses (expenses over revenues) before capital grants and contributions	(2,946,693)	1,388,405	(833,040)
<i>Capital grants and contributions</i>	-	-	93,271
Change in net position	(2,946,693)	1,388,405	(739,769)
Net position, beginning of year	9,804,656	8,416,251	9,156,020
Net position, end of year	\$ 6,857,963	\$ 9,804,656	\$ 8,416,251

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Chief Financial Officer's Office, at Curry Health District, 94181 Fourth Street, Gold Beach, Oregon 97444.

BASIC FINANCIAL STATEMENTS

Curry Health District
Statements of Net Position
June 30, 2020 and 2019

ASSETS	2020	2019
<i>Current assets</i>		
Cash and cash equivalents	\$ 10,879,622	\$ 2,354,691
Investments	2,609,538	2,995,813
Receivables:		
Patient accounts, net	6,903,121	5,607,715
Estimated third-party payor settlements	895,000	24,000
Property taxes	193,090	137,863
Other	46,946	110,345
Inventories	386,221	480,371
Prepaid expenses	205,815	246,058
Total current assets	22,119,353	11,956,856
<i>Noncurrent assets</i>		
Restricted investments - Certificates of Participation series 2010A reserve	565,527	566,927
Restricted investments - USDA loan reserve	194,000	97,000
Capital assets, net	40,660,224	43,572,784
Total noncurrent assets	41,419,751	44,236,711
Total assets	\$ 63,539,104	\$ 56,193,567
LIABILITIES AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 3,086,341	\$ 1,534,592
Accrued compensation and related liabilities	1,928,685	1,952,312
Estimated third-party payor settlements	14,000	202,000
Accrued interest payable	343,806	347,496
Current maturities of long-term debt and capital lease obligations	1,519,796	1,709,726
Current maturities of Paycheck Protection Program loan	1,937,456	-
Unearned CARES Act Provider Relief Fund	5,047,636	-
Southwest Oregon IPA loan	1,200,000	-
Total current liabilities	15,077,720	5,746,126
<i>Noncurrent liabilities</i>		
Long-term debt and capital lease obligations, less current maturities	39,135,577	40,642,785
Paycheck protection program loan, less current maturities	2,467,844	-
Total noncurrent liabilities	41,603,421	40,642,785
Total liabilities	56,681,141	46,388,911
<i>Net position</i>		
Net investment in capital assets	4,851	1,220,273
Restricted	759,527	663,927
Unrestricted	6,093,585	7,920,456
Total net position	6,857,963	9,804,656
Total liabilities and net position	\$ 63,539,104	\$ 56,193,567

See accompanying notes to basic financial statements.

Curry Health District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
<i>Operating revenues</i>		
Net patient service revenue	\$ 47,461,499	\$ 45,577,514
Other	416,454	379,003
Total operating revenues	47,877,953	45,956,517
<i>Operating expenses</i>		
Salaries and wages	22,362,864	21,135,934
Employee benefits	4,538,907	4,177,518
Professional fees and purchased services	11,182,040	7,423,676
Supplies	4,903,361	5,044,124
Utilities	741,113	683,762
Repairs and maintenance	947,703	937,604
Depreciation and amortization	3,721,478	3,551,119
Rent	1,129,323	1,131,523
Insurance	539,642	540,779
Other	730,286	622,969
Total operating expenses	50,796,717	45,249,008
<i>Operating gain (loss)</i>	(2,918,764)	707,509
<i>Nonoperating revenues (expenses)</i>		
Taxation for bond principal and interest	608,391	592,958
Taxation for maintenance and operations	814,807	764,764
Grants and contributions	278,625	19,616
CARES Act Provider Relief Fund	11,570	-
Interest income	97,269	100,888
Interest expense	(1,834,011)	(1,737,649)
Insurance settlement	-	950,000
Loss on disposal of capital assets	(4,580)	(9,681)
Total nonoperating revenues (expenses), net	(27,929)	680,896
Change in net position	(2,946,693)	1,388,405
Net position, beginning of year	9,804,656	8,416,251
Net position, end of year	\$ 6,857,963	\$ 9,804,656

See accompanying notes to basic financial statements.

Curry Health District
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 45,107,093	\$ 45,562,219
Receipts from other revenue	479,853	309,428
Payments to or on behalf of employees	(26,925,398)	(25,131,645)
Payments to suppliers and contractors	(18,487,326)	(16,438,522)
Net cash provided by operating activities	174,222	4,301,480
<i>Cash flows from noncapital financing activities</i>		
Contributions received	278,625	19,616
Property taxes for maintenance and operations	759,580	746,870
Paycheck Protection Program proceeds	4,405,300	-
Provider Relief Fund proceeds	5,059,206	-
Proceeds from issuance of short-term debt	1,200,000	-
Net cash provided by noncapital financing activities	11,702,711	766,486
<i>Cash flows from capital and related financing activities</i>		
Property taxes for bond principal and interest	608,391	592,958
Principal paid on long-term debt and capital lease obligations	(1,697,138)	(1,642,572)
Interest paid	(1,837,701)	(1,778,637)
Purchase of capital assets	(813,498)	(3,825,894)
Insurance settlement	-	950,000
Net cash used in capital and related financing activities	(3,739,946)	(5,704,145)
<i>Cash flows from investing activities</i>		
Interest income	97,269	100,888
Purchase of investments	(95,600)	(1,670,122)
Proceeds from sale of investments	386,275	3,042,077
Net cash provided by investing activities	387,944	1,472,843
Net increase in cash and cash equivalents	8,524,931	836,664
Cash and cash equivalents, beginning of year	2,354,691	1,518,027
Cash and cash equivalents, end of year	\$ 10,879,622	\$ 2,354,691

See accompanying notes to basic financial statements.

Curry Health District
Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
<i>Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities</i>		
Operating gain (loss)	\$ (2,918,764)	\$ 707,509
<i>Adjustments to reconcile operating gain (loss) to net cash provided by operating activities</i>		
Depreciation and amortization	3,721,478	3,551,119
Provision for bad debts	(1,703,117)	(1,349,915)
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	407,711	1,055,620
Estimated third-party payor settlements	(871,000)	77,000
Other	63,399	(48,242)
Inventories	94,150	82,901
Prepaid expenses	40,243	(49,739)
Increase (decrease) in liabilities:		
Accounts payable	1,551,749	(108,580)
Accrued compensation and related liabilities	(23,627)	181,807
Estimated third-party payor settlements	(188,000)	202,000
Net cash provided by operating activities	\$ 174,222	\$ 4,301,480

See accompanying notes to basic financial statements.

Curry Health District
Notes to Basic Financial Statements
Years Ended June 30, 2020 and 2019

1. Reporting Entity and Summary of Significant Accounting Policies:

The financial statements of Curry Health District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

a. Reporting Entity

The District owns and operates Curry General Hospital (the Hospital), an 18-bed acute care hospital, and multiple medical clinics, which, combined with the Hospital, do business as Curry Health Network. The District is the sole member. The District provides healthcare services to patients in Curry County, as well as other patients in the Southern Oregon Coastal area. The District's services include the acute care hospital, surgery, emergency department, and related clinic and ancillary services (laboratory, radiology, etc.). Outpatient clinic services are provided from District owned and leased facilities in Port Orford, Gold Beach, and Brookings.

The District was incorporated as a municipal corporation on October 17, 1983, and operates under the laws of the state of Oregon for Oregon Health Districts as provided by ORS 440.315-440.410. It is governed by an elected five-member board, and all the District's assets, liabilities, and financial transactions are included in these financial statements.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The District has no material component units.

b. Summary of Significant Accounting Policies

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

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

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less.

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

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

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

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

b. Summary of Significant Accounting Policies (continued)

Budgets – The District is required to prepare and adopt an annual operating budget in accordance with the State of Oregon (Oregon) Health District Law. This budget is presented differently, in some respects, from GAAP. The differences are primarily that nonoperating transactions such as interest income, interest expense, and contributions are considered operating expenses and revenues for budgetary purposes.

Restricted noncurrent investments – Restricted investments consist of amounts restricted for debt service and capital expenditures. The debt service funds are for the Certificates of Participation, Series 2010A bond and the USDA Rural Development loan. Restricted investments for capital expenditures were restricted for completion of the new hospital building.

Compensated absences – The District’s employees earn paid time off (PTO) at varying rates, depending on years of service. Employees can accumulate unused PTO from one year to the next with a maximum of 280 hours. All unused PTO is paid to employees in cash upon their termination of employment from the District, if proper notice has been given, subject to limits based on years of employment with the District. In addition, upon request, the District has the discretion to cash out a current employee’s unused PTO in the event of a hardship.

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*.

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.

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, grants, 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.

Grants and contributions – From time to time, the District receives grants from government entities 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, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted 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.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

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

b. Summary of Significant Accounting Policies (continued)

Reclassifications – Certain items included in the accompanying 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on the previously reported change in net assets.

Subsequent events – The District has evaluated subsequent events through December 7, 2020, the date on which the financial statements were available to be issued.

Upcoming accounting standards pronouncements – In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending June 30, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

2. Bank Deposits and Investments:

As of June 30, 2020 and 2019, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents in the amounts of \$1,962,254 and \$2,702,243, respectively. Cash and cash equivalents on the statement of net position for the year ended June 30, 2020, also includes assets invested in the local government investment pool. The District is required by Oregon Revised Statutes (ORS) Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain "qualified" financial institutions. As of and for the years ended June 30, 2020 and 2019, all of the District's deposits in financial institutions in excess of FDIC coverage were maintained at "qualified" financial institutions.

As of June 30, 2020 and 2019, the ORS 295 governs the collateralization of Oregon public funds. Oregon's Public Funds Collateralization Program (the PFCP) was created by the Oregon State Treasurer (the OST) to facilitate bank depository, custodian, and public official compliance with ORS 295. Under the PFCP, which created a shared liability structure for participating depositories, these bank depositories are required to pledge collateral against any public funds' deposits in excess of deposit insurance amounts. Based on information the banks are required to report quarterly, the PFCP calculates each depository bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The OST can require pledged collateral to be 10 percent to 110 percent of the bank depository's uninsured public fund deposits. Federal Home Loan Bank is the agent of the depository. The pledged securities are designated as subject to the pledge agreement between the depository bank, Federal Home Loan Bank (the custodian bank), and the OST, and are held for the benefit of the OST on behalf of the public depositors.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

3. Investments:

The District's investment balances and average maturities were as follows:

2020						Investment Ratings
	Fair Value	Investment Maturities in Years				
		Less than 1	1 to 5	Over 5		
Investment in Local Government Investment Pool	\$ 12,145,741	\$ 12,145,741	\$ -	\$ -	Not applicable	
Certificates of deposit	122,303	-	122,303	-	Not applicable	
Short-Term Money Market	565,527	565,527	-	-	Not applicable	
Total investments	\$ 12,833,571	\$ 12,711,268	\$ 122,303	\$ -		
Investments included in current assets	\$ 12,074,044					
Investments included in noncurrent assets	759,527					
Total investments	<u>\$ 12,833,571</u>					
2019						
	Fair Value	Investment Maturities in Years			Investment Ratings	
		Less than 1	1 to 5	Over 5		
Investment in Local Government Investment Pool	\$ 2,972,513	\$ 2,972,513	\$ -	\$ -	Not applicable	
Certificates of deposit	120,300	-	120,300	-	Not applicable	
Short-Term Money Market	566,927	566,927	-	-	Not applicable	
Total investments	\$ 3,659,740	\$ 3,539,440	\$ 120,300	\$ -		
Investments included in current assets	\$ 2,995,813					
Investments included in noncurrent assets	663,927					
Total investments	<u>\$ 3,659,740</u>					

ORS Chapter 294 authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government debt obligations; time deposit accounts, certificates of deposit, and savings accounts in qualified public depositories; the state of Oregon local government investment pool; and certain other investments. The District's investment policy does not further limit the types of investments the District may invest in.

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 as of June 30, 2020:

- Certificates of deposit of \$122,303 are valued using observable inputs (Level 2).

The District had the following recurring fair value measurements as of June 30, 2019:

- Certificates of deposit of \$120,300 are valued using observable inputs (Level 2).

Local Government Investment Pool – The investment in the Local Government Investment Pool (LGIP) is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council with advice from the Treasurer and Oregon Short-Term Fund Board adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2020, the policy limited investments to Grade "A" investments including but not limited to U.S. Treasury, U.S. Agencies, corporate bonds, commercial paper, and foreign governments. A portion of the assets invested in the LGIP at June 30, 2020, are included in cash and cash equivalents on the statement of net position.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

3. Investments (continued):

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District’s exposure to interest rate risk is minimal as the majority of its investments have a maturity of less than one year.

Credit risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody’s Investor Service, Inc. The District’s investments in such obligations are in government investment funds, certificates of deposit, and money markets. The District believes there is minimal credit risk with these obligations at this time.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District’s investments are generally held by qualified financial institutions or government agencies. The District believes there is minimal custodial credit risk with its investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District believes there is minimal custodial credit risk with its investments at this time. District management monitors the entities which hold the various investments to ensure they remain in good standing.

Restricted assets – Restricted assets as of June 30, 2020 and 2019, were comprised of investments held by a trustee under bond indenture agreement, and held by a trustee for the USDA debt reserve. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. Total investment income includes both income from operating cash and cash equivalents, and cash and cash equivalents related to restricted assets. Debt securities, when present, are recorded at market price or the fair market value as of the date of each statement of net position.

Restricted assets as of June 30, 2020 and 2019, were comprised of the following:

	2020	2019
Held by trustee under bond agreement	\$ 565,527	\$ 566,927
Held by trustee for debt service	194,000	97,000
Total restricted assets	\$ 759,527	\$ 663,927

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

4. Patient Accounts Receivable:

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

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

	2020	2019
Receivables from patients and other insurance carriers	\$ 4,287,223	\$ 2,931,144
Receivables from Medicare	2,002,060	2,026,224
Receivables from Medicaid	1,401,349	1,148,516
Total patient accounts receivable	7,690,632	6,105,884
Less allowance for uncollectible accounts	787,511	498,169
Patient accounts receivable, net	\$ 6,903,121	\$ 5,607,715

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

5. Property Taxes:

The Curry County (the County) Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on July 1 on property values listed as of the prior October 1. Remaining property tax balances due to the County after May 15 are considered delinquent. Collections are distributed monthly to the District by the County Treasurer.

A General Obligation (GO) bond levy was authorized in August 2015. In 2020, the District's GO bond levy was \$0.5475 per \$1,000 on total assessed property of \$1,095,726,960, for a total of \$599,911. In 2019, the District's GO bond levy was \$0.5676 per \$1,000 on total assessed property of \$1,056,901,201, for a total of \$599,897.

A maintenance and operations levy (the levy) was authorized for fiscal years 2020 and 2019. In 2020, the levy was \$0.7425 per \$1,000 on total assessed property of \$1,090,420,221, for a total levy of \$809,640. In 2019, the levy was \$0.7425 per \$1,000 on total assessed property of \$1,052,308,646, for a total levy of \$781,346.

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.

6. Capital Assets:

All capital assets, other than land and construction in progress, are being depreciated or amortized (in the case of capital leases), using the straight-line method over the shorter period of the lease term or the estimated useful life of the capital asset. Amortization from equipment under capital leases is included in depreciation and amortization in the financial statements. Expenditures for maintenance and repairs are expensed as incurred; betterments and major renewals are capitalized. Useful lives have been estimated as follows:

Land improvements	5-25 years
Buildings and improvements	5-40 years
Fixed equipment	3-30 years
Movable equipment	3-20 years

The District capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. When such assets are disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

6. Capital Assets (continued):

Capital asset activity was as follows:

	Balance June 30, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 2,699,194	\$ -	\$ -	\$ -	\$ 2,699,194
Construction in progress	60,507	312,898	-	(282,171)	91,234
Total capital assets not being depreciated	2,759,701	312,898	-	(282,171)	2,790,428
<i>Capital assets being depreciated</i>					
Land improvements	3,249,353	43,473	-	41,733	3,334,559
Buildings and improvements	30,061,497	-	(4,725)	21,637	30,078,409
Fixed equipment	11,983,732	-	-	-	11,983,732
Movable equipment	13,247,994	457,127	(647,120)	218,801	13,276,802
Total capital assets being depreciated	58,542,576	500,600	(651,845)	282,171	58,673,502
<i>Less accumulated depreciation for</i>					
Land improvements	239,672	190,978	-	-	430,650
Buildings and improvements	6,198,450	1,525,805	(1,804)	-	7,722,451
Fixed equipment	2,037,667	658,954	-	-	2,696,621
Movable equipment	9,253,704	1,345,741	(645,461)	-	9,953,984
Total accumulated depreciation	17,729,493	3,721,478	(647,265)	-	20,803,706
Total capital assets being depreciated, net	40,813,083	(3,220,878)	(4,580)	282,171	37,869,796
Capital assets, net	\$ 43,572,784	\$ (2,907,980)	\$ (4,580)	\$ -	\$ 40,660,224

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

6. Capital Assets (continued):

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 2,699,194	\$ -	\$ -	\$ -	\$ 2,699,194
Construction in progress	2,166,754	1,893,629	-	(3,999,876)	60,507
Total capital assets not being depreciated	4,865,948	1,893,629	-	(3,999,876)	2,759,701
<i>Capital assets being depreciated</i>					
Land improvements	1,674,351	8,525	-	1,566,477	3,249,353
Buildings and improvements	27,824,088	25,077	-	2,212,332	30,061,497
Fixed equipment	11,932,455	12,864	-	38,413	11,983,732
Movable equipment	12,676,309	466,612	(77,581)	182,654	13,247,994
Total capital assets being depreciated	54,107,203	513,078	(77,581)	3,999,876	58,542,576
<i>Less accumulated depreciation for</i>					
Land improvements	90,710	148,962	-	-	239,672
Buildings and improvements	4,749,187	1,449,263	-	-	6,198,450
Fixed equipment	1,369,568	668,099	-	-	2,037,667
Movable equipment	8,032,388	1,284,795	(63,479)	-	9,253,704
Total accumulated depreciation	14,241,853	3,551,119	(63,479)	-	17,729,493
Total capital assets being depreciated, net	39,865,350	(3,038,041)	(14,102)	3,999,876	40,813,083
Capital assets, net	\$ 44,731,298	\$ (1,144,412)	\$ (14,102)	\$ -	\$ 43,572,784

The District had a dispute during 2018 with the contractor for the hospital construction project, Erdman Company. As it was unclear what the ultimate outcome would be as of June 30, 2018, there was no accrual of the potential settlement. A settlement was reached in 2019 and the District recorded the net settlement as other income of \$950,000.

7. Southwest Oregon IPA Loan:

On September 26, 2019, the District entered into a short-term loan agreement with Southwest Oregon IPA, Inc., an Oregon corporation, in the amount of \$1,200,000 for the purpose of opening and operating an emergency department in Brookings, Oregon. As of June 30, 2020, the outstanding principle owed by the District was \$1,200,000. The loan matures on the first anniversary of the date that the first loan proceeds are disbursed, which was in December 2019. The loan will mature in December 2020. The interest rate on the loan is updated monthly and is the short-term Applicable Federal Rate published monthly by the Internal Revenue Service pursuant to Section 1274(d) of the Internal Revenue Code of 1986, as amended. The interest rate was .18% as of June 30, 2020.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

8. Long-term Debt and Capital Lease Obligations:

A schedule of balances and changes in the District's long-term debt and capital lease obligations follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
<i>Bonds and notes payable</i>					
Certificates of participation, series 2010A	\$ 10,765,000	\$ -	\$ (415,000)	\$ 10,350,000	\$ 435,000
Series 2010A discount	(126,355)	-	12,588	(113,767)	-
City of Brookings	29,977	-	(29,977)	-	-
GO bonds, series 2015	8,925,000	-	(290,000)	8,635,000	300,000
USDA loan	20,920,684	-	(246,878)	20,673,806	255,636
Paycheck Protection Program	-	4,405,300	-	4,405,300	1,937,456
Total bonds and notes payable	40,514,306	4,405,300	(969,267)	43,950,339	2,928,092
<i>Capital lease obligations</i>					
Celtic Leasing	227,993	-	(194,265)	33,728	33,728
GE Radiography and Fluoroscopy	110,073	-	(54,454)	55,619	55,619
GE C-Arm	22,993	-	(22,993)	-	-
GE Digital X-Ray	30,117	-	(30,117)	-	-
Siemens MRI	1,044,790	-	(281,116)	763,674	289,089
Siemens X-Ray	86,602	-	(30,369)	56,233	31,639
Siemens Radiography and Fluoroscopy	315,637	-	(114,557)	201,080	119,085
Total capital lease obligations	1,838,205	-	(727,871)	1,110,334	529,160
Total long-term debt and capital lease obligations	\$ 42,352,511	\$ 4,405,300	\$ (1,697,138)	\$ 45,060,673	\$ 3,457,252

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

8. Long-term Debt and Capital Lease Obligations (continued):

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
<i>Bonds and notes payable</i>					
Certificates of participation, series 2010A	\$ 11,160,000	\$ -	\$ (395,000)	\$ 10,765,000	\$ 415,000
Series 2010A discount	(139,305)	-	12,950	(126,355)	-
City of Brookings	80,161	-	(50,184)	29,977	29,977
GO bonds, series 2015	9,205,000	-	(280,000)	8,925,000	290,000
USDA construction loan	20,961,000	-	(20,961,000)	-	-
USDA loan	-	20,961,000	(40,316)	20,920,684	246,878
<i>Notes payable to individuals</i>					
Note #1	39,950	-	(39,950)	-	-
Note #2	62,853	-	(62,853)	-	-
Note #3	83,008	-	(83,008)	-	-
Total bonds and notes payable	41,452,667	20,961,000	(21,899,361)	40,514,306	981,855
<i>Capital lease obligations</i>					
Celtic Leasing	414,042	-	(186,049)	227,993	194,265
GE Radiography and Fluoroscopy	163,385	-	(53,312)	110,073	54,454
GE C-Arm	45,571	-	(22,578)	22,993	22,993
GE Digital X-Ray	59,677	-	(29,560)	30,117	30,117
Siemens MRI	1,318,154	-	(273,364)	1,044,790	281,116
Siemens X-Ray	115,751	-	(29,149)	86,602	30,369
Siemens Radiography and Fluoroscopy	425,836	-	(110,199)	315,637	114,557
Total capital lease obligations	2,542,416	-	(704,211)	1,838,205	727,871
Total long-term debt and capital lease obligations	\$ 43,995,083	\$ 20,961,000	\$ (22,603,572)	\$ 42,352,511	\$ 1,709,726

Certificates of Participation, Series 2010A – In March 2010, the District issued the Certificates of Participation, Series 2010A, in the amount of \$13,495,000, net of an original issue discount of \$262,874. The proceeds from the Certificates of Participation, Series 2010A were used to build and provide equipment for a medical office building to replace the District’s former clinic in Brookings, Oregon – Curry Medical Center (CMC). The Certificates of Participation, Series 2010A are secured by the financed assets pursuant to a deed of trust and require annual principal payments each January 1 ranging from \$435,000 to \$1,040,000. The Certificates of Participation, Series 2010A bear interest at rates ranging from 6.20 percent to 7 percent, payable semiannually each January 1 and July 1, through January 1, 2035. The Certificates of Participation, Series 2010A, maturing on or after January 1, 2021, are subject to optional prepayment on January 1, 2020, and on each July 1 and January 1 thereafter, at a prepayment price of 100 percent of the principal amount of such Certificates of Participation, Series 2010A, to be redeemed, plus accrued interest to the date of prepayment. Under the terms of the Certificates of Participation, Series 2010A agreement, the District is required to maintain certain deposits with a trustee. Such deposits are included with restricted investments in the financial statements. The agreement also requires that the District satisfy certain levels of insurance.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

8. Long-term Debt and Capital Lease Obligations (continued):

City of Brookings – In 2013, the District signed a \$302,847 note payable agreement with the City of Brookings for the cost of system development charges levied in connection with CMC. The note was repaid in 2020.

General Obligation Bond, Series 2015 – In August 2015, the District issued the GO Bond, Series 2015, in the amount of \$10,000,000. The proceeds from the GO Bond, Series 2015, were used in the construction of a critical access facility. The GO Bond, Series 2015, bears interest at 3.63 percent and requires principal payments ranging from \$300,000 to \$335,000 through June 2025. The GO Bond, Series 2015 is subject to mandatory tender for purchase by the District, at a purchase price equal to the outstanding principal balance plus accrued interest to the date of purchase. The dates of purchase are June 15, 2025 and June 15, 2035, if the District receives a waiver at the first purchase date. Outstanding principal balances as of the purchase dates are scheduled to be \$7,015,000 and \$2,770,000, respectively. If waivers are granted for both purchase dates, principal payments will range from \$360,000 to \$595,000 through June 2040 with the interest rate adjusting as disclosed in the GO Bond, Series 2015 agreement.

USDA construction loan and USDA loan – In September 2015, the District entered into an agreement with the USDA for the District to obtain interim construction financing until construction of the critical access facility is complete. Interim financing was not to exceed \$20,961,000. Key Bank provided the interim financing with the funds held by a trustee. The USDA repaid the construction loan balance in 2019. The USDA loan will be repaid over forty years with an interest rate ranging from 3.5 percent to 3.625 percent. The loan matures in April 2059. The loan is payable in monthly payments of \$81,463, including interest. The loan is secured by all real property, fixtures, and equipment acquired and constructed as part of the construction project.

Note payable #1 – In April 2015, the District signed an agreement with a private party for a note payable in the amount of \$90,000 for the purchase of land. The note was repaid in 2019.

Note payable #2 – In April 2015, the District signed an agreement with a private party for a note payable in the amount of \$90,000 for the purchase of land. The note was repaid in 2019.

Note payable #3 – In April 2015, the District signed an agreement with a private party for a note payable in the amount of \$210,000 for the purchase of land. The note was repaid in 2019.

Capital lease obligations – Capital lease obligations are due in monthly installments including principal and interest ranging from \$1,935 to \$25,565, including interest at varying rates from 1.82 percent to 6.63 percent through January 2023; collateralized by capital. At June 30, 2020 and 2019, the capitalized cost of the equipment acquired under the capital lease obligations was \$4,254,389 and \$4,254,389, respectively, and accumulated amortization was \$3,391,715 and \$2,681,887, respectively.

Paycheck Protection Program Loan – In April 2020, the District was granted a loan from Umpqua Bank in the aggregate amount of \$4,405,300, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

8. Long-term Debt and Capital Lease Obligations (continued):

Paycheck Protection Program Loan (continued) – The PPP loan, which was in the form of a note dated April 20, 2020, matures on April 20, 2022, and bears interest at a rate of 1 percent per annum. The note was originally payable monthly commencing on November 20, 2020. However, this has been deferred pending the District’s application for forgiveness of the note. The note may be prepaid by the District at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The District intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The District believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Scheduled principal and interest payments are as follows:

Years Ending June 30,	Bonds and Notes Payable		
	Principal	Interest	Total
2021	\$ 2,928,092	\$ 1,753,164	\$ 4,681,256
2022	3,502,550	1,672,548	5,175,098
2023	1,089,100	1,612,977	2,702,077
2024	1,138,830	1,562,048	2,700,878
2025	1,193,906	1,508,613	2,702,519
2026-2030	6,888,725	6,610,135	13,498,860
2031-2035	8,830,389	4,669,295	13,499,684
2036-2040	5,086,777	2,879,916	7,966,693
2041-2045	2,759,336	2,128,444	4,887,780
2046-2050	3,286,705	1,601,075	4,887,780
2051-2055	3,915,140	972,640	4,887,780
2056-2060	3,444,556	245,687	3,690,243
Total	\$ 44,064,106	\$ 27,216,542	\$ 71,280,648

Years Ending June 30,	Capital Lease Obligations		
	Principal	Interest	Total
2021	\$ 529,160	\$ 26,305	\$ 555,465
2022	403,878	11,112	414,990
2023	177,296	1,659	178,955
Total	\$ 1,110,334	\$ 39,076	\$ 1,149,410

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

9. Defined Contribution Retirement Plan:

Eligible employees may make elective contributions to the District's defined contribution retirement plan, Curry Health District 403(b) Plan (the Plan). For the years ended June 30, 2020 and 2019, the District did not match employee contributions. Participants are immediately vested in their own contributions to the Plan and vest in the District's contributions at a rate of 20 percent per year over five years of service. The Plan is administered by the District and can be amended or terminated by the District at any time. Forfeitures of nonvested contributions are used to reduce plan expenses.

Participant contributions to the Plan during the years ended June 30, 2020 and 2019, were approximately \$389,000 and \$811,000, respectively.

10. 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. The District's provisions for bad debts and writeoffs have not changed significantly from prior years. The District has not changed its charity care or uninsured discount policies during the years ended June 30, 2020 or 2019. 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 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:

	2020	2019
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 21,001,490	\$ 21,385,907
Medicaid	9,518,089	8,612,381
Other third-party payors	17,162,830	15,947,642
Patients	2,003,975	1,211,784
	49,686,384	47,157,714
Less:		
Charity care	521,768	230,285
Provision for bad debts	1,703,117	1,349,915
Net patient service revenue	\$ 47,461,499	\$ 45,577,514

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

10. Net Patient Service Revenue (continued):

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

- *Medicare* – The District is classified as a critical access hospital and is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the District and subject to audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.
- *Medicaid* – For patients covered by Medicaid managed care insurance, inpatient and outpatient services are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. For all other Medicaid patients, the District is reimbursed at cost for most hospital and physician services, with final settlement determined after submission of annual cost reports by the District and review thereof by the Oregon Health Authority. The Oregon Health Authority's administrative procedures preclude final determination of amounts due to the District for such services until after the District's annual cost report is audited or otherwise reviewed or settled upon by Oregon Health Authority.

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

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. Due to differences between original estimates and final settlements or revised estimates, net patient service revenue decreased by approximately \$9,000 and \$32,000 in 2020 and 2019, respectively.

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 June 30, 2020 and 2019, were approximately \$326,000 and \$140,000, respectively.

11. CARES Act Provider Relief Fund:

In April and May 2020, the District received \$5,059,206 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as deferred grant revenue until eligible expenses or lost revenues are recognized. During the year ended June 30, 2020, the District recognized \$11,570 of grant revenue from these funds. The District had \$5,047,636 remaining funds as of June 30, 2020, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

12. Lease Obligations:

Following is a summary of estimated future minimum rentals under noncancelable operating leases that expire in various years through 2022:

Years Ending June 30,	Amount
2021	\$ 475,656
2022	79,276
	\$ 554,932

13. 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. However, there were two employee wrongful termination lawsuits settled in July and September 2020 that were not covered by insurance. The total amount of the settlements was \$630,000. This amount was recorded as a liability in accounts payable as of June 30, 2020, on the statement of net position.

Medical malpractice claims – The District has professional liability insurance with Physicians Insurance: A Mutual Company (Physicians). The Physicians policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has a \$10,000 deductible.

The District also has excess professional liability insurance with Physicians on a claims-made basis. The excess malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has a \$10,000 deductible.

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

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes no significant violations have been made by the District.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

13. Risk Management and Contingencies (continued):

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.

14. Concentrations:

Receivables – 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 Curry County.

The mix of receivables from patients was as follows:

	2020	2019
Medicare	30 %	35 %
Medicaid	20	19
Other third-party payors	44	42
Patients	6	4
	100 %	100 %

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

15. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which have negatively impacted the District's financial position. Beginning in March 2020, the District began experiencing significant declines in revenues due to the state of Oregon temporarily suspending all elective surgeries and other elective procedures. In addition, the District has experienced declines in volumes of outpatient and ancillary services, such as radiology, laboratory, emergency department, and clinic visits.

The District received government grants as described in Note 11 above, as part of the federal government's response to the pandemic.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2020, which will increase Medicare reimbursement by 2 percent.

The District also entered into the PPP loan described in Note 8 above, also a part of the federal government's response to the pandemic.

On September 15, 2020, the District also entered into a grant agreement under the Rural Hospital Stabilization Program with the State of Oregon through its Oregon Business Development Department in the amount of \$2,501,621, as part of the state government's response to the pandemic.

As of June 30, 2020, the District had unrestricted reserves representing 101 days of operating expenses.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

15. COVID-19 Pandemic (continued):

The District has also implemented cost containment efforts in response to COVID-19.

State and federal governments are also considering additional emergency funding to help hospitals overcome these negative effects.

In addition to accepting funding from the CARES Act Provider Relief Fund and the other funding sources noted above, the Hospital resumed the services that had been temporarily suspended. However, the pandemic continues to affect the District's operations. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

SUPPLEMENTAL INFORMATION

Curry Health District
Schedule of Resources and Expenditures – Budget vs. Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenue			
Net patient revenue	\$ 53,773,453	\$ 47,461,499	\$ (6,311,954)
Other operating revenue	361,532	416,454	54,922
Total operating revenue	54,134,985	47,877,953	(6,257,032)
Operating expenses			
Salaries and benefits	28,133,789	26,901,771	1,232,018
Contract labor	11,033,392	12,129,743	(1,096,351)
Supplies	5,308,800	4,903,361	405,439
Utilities	672,720	741,113	(68,393)
Insurance	561,356	539,642	21,714
Rent	1,123,141	1,129,323	(6,182)
Depreciation and amortization	3,479,227	3,721,478	(242,251)
Interest	1,782,507	1,834,011	(51,504)
Other expenses	1,480,916	730,286	750,630
Total operating expenses	53,575,848	52,630,728	945,120
<i>Operating gain (loss)</i>	559,137	(4,752,775)	(5,311,912)
Nonoperating revenue and expenses			
Other revenue and expenses, net	1,470,149	1,806,082	335,933
Total nonoperating revenues, net	1,470,149	1,806,082	335,933
Change in net position	\$ 2,029,286	\$ (2,946,693)	\$ (4,975,979)

Curry Health District
Schedule of Property Tax Transactions and Outstanding Balances
Year Ended June 30, 2020

Fiscal Year	Uncollected Taxes June 30, 2019	2019-20 Assessment	(Abatements) and Adjustments	Interest Collected	Discounts	Total Amount Collected	Uncollected Taxes June 30, 2020
2019-20	\$ -	\$ 1,409,979	\$ (1,509)	\$ -	\$ (35,315)	\$ (1,271,882)	\$ 101,273
2018-19	55,417	-	(25)	-	(6)	(26,743)	28,643
2017-18	27,065	-	(139)	-	(6)	(8,049)	18,871
2016-17	17,854	-	(3)	-	(7)	(5,211)	12,633
2015-16	11,333	-	(6)	-	-	(4,145)	7,182
Prior Years	26,194	-	-	-	-	(1,706)	24,488
Total	\$ 137,863	\$ 1,409,979	\$ (1,682)	\$ -	\$ (35,334)	\$ (1,317,736)	\$ 193,090

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 Directors
Curry Health District
Gold Beach, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Curry Health District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Curry Health District's Response to Findings

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

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
December 7, 2020

**Curry Health District
Schedule of Findings and Responses
Year Ended June 30, 2020**

2020-001 No physical inventory performed over pharmacy

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

<i>Criteria</i>	District board members, management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions.
<i>Condition</i>	There was no physical inventory of pharmacy performed by the District at or subsequent to year end.
<i>Context</i>	This finding appears to be an <i>isolated</i> instance.
<i>Effect</i>	Missing or out of date pharmaceuticals might not have been recorded or investigated, and their impact on year-end financial reporting would be unknown.
<i>Cause</i>	There was no physical inventory of pharmaceuticals by the District.
<i>Recommendation</i>	Management should perform a physical inventory of pharmaceuticals at least annually.
<i>Management's Response</i>	Due to unforeseen circumstances, the pharmacy inventory was not completed for fiscal year 2020. The District has put multiple reminders in place beginning April 2021 to be sent out to the managers of each department responsible for annual inventory counts.

**Curry Health District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2020**

Prior Year Number	Description	Current Status
2019-001	Oregon State Budget Requirements	Resolved in 2020

ADDITIONAL REQUIRED REPORTS

Curry Health District
Audit Comments and Disclosures Required by Oregon State Regulations
Year Ended June 30, 2020

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

Board of Directors
Curry Health District
Gold Beach, Oregon

We have audited the basic financial statements of Curry Health District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 7, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements as of and for the year ended June 30, 2020, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions, and repayment
- Budgets legally required (ORS Chapter 440)
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of the ORS as specified in OAR 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Restriction on Use

This report is intended solely for the information and use of the Board; Management; others within the District; and the Secretary of State, Oregon Audits Division, and is not intended to be, and should not be, used by anyone other than these specified parties.



For Dingus, Zarecor & Associates PLLC
Spokane Valley, Washington
December 7, 2020