

Morrow County Health District d/b/a Pioneer Memorial Hospital

Financial Statements and Required
Supplementary Information

Years Ended June 30, 2020 and 2019

An abstract, low-poly geometric graphic in shades of gray, resembling a stylized mountain or a modern architectural structure, located in the bottom left corner of the page.

WIPFLI

Morrow County Health District d/b/a Pioneer Memorial Hospital

Directory of Officials

June 30, 2020

| | <u>Elected</u> | <u>Expiration</u> |
|---------------------|---|-------------------|
| Board of Directors: | John Murray PO Box 427 Heppner, OR 97836 | June 2021 |
| | Carri Grieb PO Box 395 Lexington, OR 97839 | June 2023 |
| | Aaron Palmquist PO Box 428 Irrigon, OR 97844 | June 2023 |
| | Leann Rea 430 Frank Gilliam Drive Heppner, OR 97836 | June 2021 |
| | Marie Shimer PO Box 976 Boardman, OR 97818 | June 2023 |

Appointed

Administrator: Robert Houser

Mailing Address

District: Pioneer Memorial Hospital
PO Box 9
564 East Pioneer Drive
Heppner, OR 97836

Morrow County Health District d/b/a Pioneer Memorial Hospital

Years ended June 30, 2020 and 2019

Table of Contents

| | |
|---|----|
| Independent Auditor's Report..... | 1 |
| Management's Discussion and Analysis..... | 4 |
| Financial Statements | |
| Statements of Net Position..... | 11 |
| Statements of Revenues, Expenses, and Changes in Net Position..... | 13 |
| Statements of Cash Flows..... | 14 |
| Notes to Financial Statements..... | 16 |
| Supplementary Information | |
| Schedule of Patient Service Revenue..... | 38 |
| Schedule of Operating Expenses and Interest Expense..... | 39 |
| Schedule of Resources and Expenditures - Budget and Actual..... | 40 |
| Schedule of Property Tax Transactions and Outstanding Balances..... | 41 |
| Schedule of Future Debt Service Requirements..... | 42 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters | 43 |
| Independent Auditor's Comments and Disclosures on Compliance in Accordance With the <i>Minimum Standards for Audits of Oregon Municipal Corporations</i> | 45 |
| Audit Comments and Disclosures Required by State Regulations..... | 47 |

Independent Auditor's Report

Board of Directors
Morrow County Health District
d/b/a Pioneer Memorial Hospital
Heppner, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (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 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; 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.

Auditor's 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 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 auditor's 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 auditor considers 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 respective financial position of Morrow County Health District d/b/a Pioneer Memorial Hospital, as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4 through 10 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, who considers it to be an essential part of financial reporting for placing the 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, 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 financial statements, and other knowledge we obtained during our audit of the 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 that collectively comprise the District's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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. In our opinion, the supplementary 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 September 18, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is 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. We have also issued our report dated September 18, 2020, on the compliance of Morrow County Health District d/b/a Pioneer Memorial Hospital with Oregon laws and regulations.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated September 18, 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

By:

A handwritten signature in black ink that reads "Eric Volk".

Eric Volk, CPA Oregon Municipal Auditor, Lic# 1637

September 18, 2020,
Spokane, Washington

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Introduction

Our discussion and analysis of the Morrow County Health District (MCHD) d/b/a Pioneer Memorial Hospital's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements that follow this analysis.

The District is a governmental entity and a political subdivision of the State of Oregon. The District was created by Order of the County Court of the State of Oregon for Morrow County on September 2, 1994. A public vote established the original tax base of \$485,000 on November 8, 1994. The District commenced providing services on July 1, 1995. Services include the 21-bed acute care hospital, swing bed skilled and nonskilled nursing, emergency room, ambulance, home health, hospice, three rural health clinics, and related ancillary services (lab, radiology, therapies, etc.) associated with these services.

A five-member Board of Directors governs the District. The members of the Board are elected for a term of four years. Elections are staggered so no more than 60% of the Board is up for election at one time. The Board is required to elect a chairman and vice chairman/secretary. One of their duties is to hire an administrator. The Board delegates the day-to-day operations of the District to the administrator.

The District is a municipal government entity. As such, the District levies and the county collects property taxes from property owners within the health district. This tax revenue is used to support the purpose of the District, which is to provide health care to the citizens. Tax support represents approximately 15% of District receipts.

The Governmental Accounting Standards Board (GASB) prescribes the financial reporting for the Hospital. This is the format followed by the District. The audit reports of the District are reviewed by the Oregon Secretary of State, Division of Audits.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2020 and 2019

Financial Highlights

- ⇒ The District's net position decreased by \$146,531 to \$5,920,465 and from \$6,066,996 in 2019. The decrease in 2020 was primarily due to the impact of Covid-19.
- ⇒ Gross patient revenue increased by \$1,231,637, or 11%, in 2020 and \$640,650, or 6%, in 2019 and net patient revenue increased by 6% in 2020 and 8% in 2019.
- ⇒ Net patient accounts receivable increased from \$1,624,402 in 2019 to \$1,836,027 in 2020.
- ⇒ Total nonoperating revenue - net, including property taxes, increased by \$201,040, or 8%, in 2020 and increased by \$482,568, or 21%, in 2019.
- ⇒ The District's total overall operating expenses increased by \$1,733,751, or 13%, in 2020 and \$1,222,724, or 10%, in 2019.
- ⇒ Capital asset expenditures, including construction in progress, were \$690,990 this year. The largest costs were associated with an ambulance purchase. Other major purchases included the upgrade of the hospital's boilers and IT server room upgrades.
- ⇒ The District voters approved an operating tax levy that began in fiscal year 2010. The voters approved an additional five-year operating levy in May 2014, which had an estimated five-year total tax revenue of \$2,950,000. The District recognized a total operating tax revenue of \$2,958,395 over the five years ending fiscal year 2019, which was just over the estimated amount. Voters approved an additional five-year levy in May 2019, which was approved at the same rate as the previous levy. The District recognized \$741,138 in fiscal year 2020. The District's total tax revenue recognized was \$2,129,531 in 2020 and \$1,951,914 in 2019.

Using This Annual Report

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The statements of net position on page 11 and the statements of revenue, expenses, and changes in net position on page 13 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 of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's net position is the difference between its assets and liabilities reported on the statement of net position.

These two statements report the District's net position and annual changes to it. You can think of the District's net position 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.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2020 and 2019

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position (Continued)

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 local economic factors to assess the overall health of the District.

Statements of Cash Flows

The final required statement is the statements of cash flows on page 14. 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 Net Position

The District's net position is the difference between its assets and liabilities reported in the statements of net position on pages 11 and 12. The District's net position decreased by \$146,531 in 2020 due to the impact of Covid-19 and increased by \$452,707 and \$421,148 in 2019 and 2018, respectively, as reported in Table 1.

Condensed financial information for the years ended June 30, 2020, 2019, and 2018, is as follows:

**Table 1: Condensed Statements of Net Position
(In Thousands)**

| | 2020 | 2019 | 2018 | <u>2020-2019</u> | | <u>2019-2018</u> | |
|--------------------------------------|------------------|-----------------|-----------------|------------------|-----------------|------------------|----------------|
| | | | | \$ Change | % Change | \$ Change | % Change |
| Assets: | | | | | | | |
| Current assets | \$ 10,587 | \$ 4,496 | \$ 4,397 | \$ 6,091 | 135.48 % | \$ 99 | 2.25 % |
| Noncurrent assets, including capital | 5,099 | 4,963 | 3,983 | 136 | 2.74 % | 980 | 24.60 % |
| Total assets | \$ 15,686 | \$ 9,459 | \$ 8,380 | \$ 6,227 | 65.83 % | \$ 1,079 | 12.88 % |
| Liabilities: | | | | | | | |
| Current liabilities | \$ 6,045 | \$ 1,317 | \$ 1,192 | \$ 4,728 | 359.00 % | \$ 125 | 10.49 % |
| Long-term debt and capital leases | 3,720 | 2,075 | 1,574 | 1,645 | 79.28 % | 501 | 31.83 % |
| Total liabilities | \$ 9,765 | \$ 3,392 | \$ 2,766 | \$ 6,373 | 187.88 % | \$ 626 | 22.63 % |
| Net position: | | | | | | | |
| Unrestricted | \$ 3,361 | \$ 3,723 | \$ 3,579 | \$ (362) | -9.72 % | \$ 144 | 4.02 % |
| Net investment in capital assets | 2,009 | 1,845 | 1,386 | 164 | 8.89 % | 459 | 33.12 % |
| Restricted | 551 | 499 | 649 | 52 | 10.42 % | (150) | -23.11 % |
| Total net position | \$ 5,921 | \$ 6,067 | \$ 5,614 | \$ (146) | -2.41 % | \$ 453 | 8.07 % |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2020 and 2019

Operating Results and Changes in the District's Net Position

The District's net position decreased by \$146,531 in 2020 and increased by \$452,707 and \$421,148 in 2019 and 2018, respectively, as reported in Table 2.

Table 2: Condensed Statements of Revenues, Expenses and Changes in Net Position (In Thousands)

| | 2020 | 2019 | 2018 | <u>2020-2019</u> | | <u>2019-2018</u> | |
|---|-----------------|-----------------|-----------------|------------------|----------------|------------------|----------------|
| | | | | \$ Change | % Change | \$ Change | % Change |
| Operating revenue: | | | | | | | |
| Patient service revenue | \$ 11,645 | \$ 10,942 | \$ 10,120 | \$ 703 | 6.42 % | \$ 822 | 8.12 % |
| Other operating income | 374 | 267 | 179 | 107 | 40.07 % | 88 | 49.16 % |
| Total operating revenue | 12,019 | 11,209 | 10,299 | 810 | 7.23 % | 910 | 8.84 % |
| Operating expenses: | | | | | | | |
| Salaries and benefits | 11,145 | 9,572 | 8,424 | 1,573 | 16.43 % | 1,148 | 13.63 % |
| Depreciation and amortization | 612 | 494 | 460 | 118 | 23.89 % | 34 | 7.39 % |
| Supplies | 1,167 | 1,199 | 1,086 | (32) | -2.67 % | 113 | 10.41 % |
| Other operating expenses | 2,257 | 2,183 | 2,255 | 74 | 3.39 % | (72) | -3.19 % |
| Total operating expenses | 15,181 | 13,448 | 12,225 | 1,733 | 12.89 % | 1,223 | 10.00 % |
| Operating loss | (3,162) | (2,239) | (1,926) | (923) | 41.22 % | (313) | 16.25 % |
| Nonoperating revenue (expenses): | | | | | | | |
| Property tax revenue | 2,130 | 1,952 | 1,755 | 178 | 9.12 % | 197 | 11.23 % |
| Grant revenue | 229 | 184 | 210 | 45 | 24.46 % | (26) | -12.38 % |
| Contract revenue | 139 | 135 | 152 | 4 | 2.96 % | (17) | -11.18 % |
| Interest earnings | 61 | 59 | 50 | 2 | 3.39 % | 9 | 18.00 % |
| Interest expense | (102) | (95) | (73) | (7) | 7.37 % | (22) | 30.14 % |
| Donations and pharmacy revenue | 25 | 47 | 68 | (22) | -46.81 % | (21) | -30.88 % |
| Gain on sale of assets | - | 3 | 2 | (3) | -100.00 % | 1 | -50.00 % |
| Other | 250 | 247 | 183 | 3 | 1.21 % | 64 | 34.97 % |
| Total nonoperating revenue, net | 2,732 | 2,532 | 2,347 | 200 | 7.90 % | 185 | 7.88 % |
| Excess (deficit) of revenue over expenses | (430) | 293 | 421 | (723) | -246.76 % | (128) | -30.40 % |
| Capital grants and contributions | 284 | 160 | - | 124 | 77.50 % | 160 | 100.00 % |
| Net position, beginning of year | 6,067 | 5,614 | 5,193 | 453 | 8.07 % | 421 | 8.11 % |
| Net position, end of year | \$ 5,921 | \$ 6,067 | \$ 5,614 | \$ (146) | -2.41 % | \$ 453 | 8.07 % |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2020 and 2019

Operating Results and Changes in the District's Net Position (Continued)

Operating Losses

The overall operating loss increased by \$924,297 in 2020 and increased by \$451,009 in 2019. The increase in operating expenses directly contributed to the increased loss over last year. Depreciation expense increased due to the addition of the Irrigon Medical Clinic expansion project. Other operating expenses increased as a result of Covid-19 related expenses and due to the hiring of new employees in new positions and temporary staffing expenses for vacant positions.

Nonoperating Revenue and Expenses

The District's overall net nonoperating revenue increased by \$201,040, or 8%, in 2020 and increased by \$482,568, or 21%, in 2019 due primarily to fluctuations in property tax revenues and grant revenue.

Grants, Contributions, and Endowments

In 2020, the District received \$513,536 in grant funding. The largest grant, in the amount of \$189,883, was from Columbia River Enterprise Zone (CREZ) for the new Irrigon Ambulance Hall project.

The largest sources of contract revenue were from Morrow County for Lone Community Clinic, from state-level, school-based health center funding of \$54,000, and Willow Creek Valley Assisted Living Corporation for management and accounting services of \$56,900.

Donations received in fiscal year 2020 totaled \$35,864 and were from various community donors as memorials or for a specific purpose or service of the District. The largest donation was \$30,600 from Pioneer Memorial Hospital Foundation, used towards the purchase of new equipment for the hospital.

The District's Cash Flows

The increase in cash and cash equivalents from 2019 to 2020 was 222%, primarily due to the receiving of Department of Health and Human Services (HHS) provider relief funds, while there was a 6% decrease from 2018 to 2019. Detailed cash flows from the District's activities are outlined on pages 14 and 15 in the statements of cash flows.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2020 and 2019

Capital Asset and Debt Administration

Capital Assets

Capital asset expenditures, including construction in progress, were \$690,990 this year. The largest costs were associated with an ambulance purchase. Other major purchases included the upgrade of the hospital's boilers and IT server room upgrades.

Debt

In December 2019, the District borrowed \$135,000 from Bank of Eastern Oregon to use towards the purchase of new boilers for the Hospital. The term of the loan is five years, and the interest rate is 4.15%.

In March 2020, the District borrowed \$147,600 from Bank of Eastern Oregon to use towards the purchase of the Boardman ambulance. The term of the loan is five years, and the interest rate is 4.15%.

Paycheck Protection Program Loan

In March 2020, the CARES Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The District applied for and was approved for a loan of \$1,788,357 that may be partially or fully forgiven based on the level of employee retention and if, utilized, for payroll costs, mortgage obligations, rent, or utilities within a specified covered period and in accordance with the terms and conditions of the PPP loan.

General Risks Affecting Health Care Entities and the District

There are several issues on the Federal level that are causing increased scrutiny of hospitals and healthcare systems across the United States. The federal issues that are worrisome include:

- COVID-19 funding and clearer rules for repayment of funds received from these sources
- Reduced payments to the 340B program
- COVID-19 vaccine, who gets it and how is it going to be distributed and at what cost
- Adequate funding for the National Health Services Corp, Graduate Medical Education Program, support expanding additional residency slots in programs, and moving generic drugs to market faster are all important as well.

On the state level the biggest challenge moving forward will be the continued and sustained Medicaid funding for 2021-2023 biennium. Behavioral Health issues will remain front and center over the next three years, including addressing those issues concerning emergency room boarding (SB 140) of patients who present with a behavioral/mental health issue as well as HB 1606. CCO 2.0 regulations from the Oregon Health Authority (OHA) that must be fully implemented by 2022 may prove troublesome. The community benefit program was amended and now includes phasing in of financial assistance policy requirements beginning in 2020. The program includes

Morrow County Health District d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2020 and 2019

full adjustment of hospital bills for patients with incomes at or below 200% of the federal poverty level for emergency and medically necessary services at both hospitals and hospital affiliated clinics. The bill also established debt collection and community benefit reporting standards and lastly HB 3076 directs OHA to establish a new community benefit spending floor program that will begin in 2021. As of this date, OHA has come up with a formula for setting the floor and is accepting comments at this time.

MCHD remains a member/provider with EOCCO, Eastern Oregon Coordinated Care Organization, with Morrow County currently showing 2,851 members as of November 1, 2019, which is an increase of 144 members since December 1, 2018.

Recruitment

We have been able to recruit three additional mid-level providers at the Irrigon Medical Clinic to fill vacancies. David Collins, PA-C joined our team in October 2019, Katie Mencos, PA-C signed on in December 2019, and Amanda Fabian, PA-C returned to the District and started working in Irrigon in February 2020. Jamie Reed, CSWA, is now providing behavioral health services one day per week at Pioneer Memorial Clinic and four days at Irrigon Medical Clinic.

Future Needs of the District

The continued funding at both the state and federal levels need to be kept as well as the Critical Access Hospital status if Pioneer Memorial and the District are to remain healthy and continue to grow in the future. We continue to monitor the makeup of our provider base to be able to attract and retain patients throughout the district. While the uncertainties of COVID-19 have placed a hold on the new clinic and hospital remodel plans on the Heppner Campus, this will be a priority before the board once things return to normal. The District cannot expect to see growth of new services if there is no room to provide that service or accommodate new providers.

The District Board is getting ready to select a replacement for retiring CEO Robert Houser. While change is not always easy, it usually brings a fresh set of eyes and ideas to continue to move the organization forward. Overall, we feel confident that our strategies are flexible enough to weather the ever changing needs of the District as well as deal with the mountain of regulations that the state and federal governments pass down to us as we continue to build a healthier Morrow County, today, and TOMORROW.

Contacting the District's Financial Management

This financial report is designed to provide readers 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 financial information, contact the Administration office at Pioneer Memorial Hospital, PO Box 9, Heppner, OR 97836 or call 541.676.2925.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Statements of Net Position

| <i>June 30,</i> | 2020 | 2019 |
|---|---------------|--------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 8,173,389 | \$ 2,075,842 |
| Receivables: | | |
| Patient accounts - Net | 1,836,027 | 1,624,402 |
| Taxes | 74,995 | 72,691 |
| Due from third-party reimbursement programs | 44,411 | 315,340 |
| Other | 102,502 | 103,275 |
| Inventories | 298,057 | 247,283 |
| Prepaid expenses | 58,011 | 57,826 |
| Total current assets | 10,587,392 | 4,496,659 |
| Noncurrent assets: | | |
| Board-designated cash - Capital fund | 199,161 | 190,539 |
| Restricted cash and cash equivalents | 549,878 | 499,365 |
| Capital assets: | | |
| Nondepreciable capital assets | 291,104 | 182,608 |
| Depreciable capital assets - Net | 4,058,320 | 4,090,217 |
| Total noncurrent assets | 5,098,463 | 4,962,729 |
| TOTAL ASSETS | \$ 15,685,855 | \$ 9,459,388 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Statements of Net Position (Continued)

| <i>June 30,</i> | 2020 | 2019 |
|--|----------------------|---------------------|
| Current liabilities: | | |
| Current portion of long-term debt | \$ 408,988 | \$ 352,597 |
| Accounts payable | 256,916 | 444,136 |
| Accrued compensation and related liabilities | 233,352 | 168,345 |
| Compensated absences | 418,039 | 345,905 |
| Due to third-party reimbursement programs | 708,363 | - |
| Accrued interest | 4,788 | 4,631 |
| Unearned revenue | 4,014,735 | 1,506 |
| Total current liabilities | 6,045,181 | 1,317,120 |
| Noncurrent liabilities: | | |
| Long-term debt, less current portion | 1,931,852 | 2,075,272 |
| Paycheck Protection Program loan payable | 1,788,357 | - |
| Total noncurrent liabilities | 3,720,209 | 2,075,272 |
| Total liabilities | 9,765,390 | 3,392,392 |
| Net position: | | |
| Net investment in capital assets | 2,008,584 | 1,844,956 |
| Restricted: | | |
| For debt service | 68,588 | 87,743 |
| By donors | 108,511 | 107,113 |
| By grant and service contracts | 372,779 | 304,509 |
| Unrestricted | 3,362,003 | 3,722,675 |
| Total net position | 5,920,465 | 6,066,996 |
| TOTAL LIABILITIES AND NET POSITION | \$ 15,685,855 | \$ 9,459,388 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Statements of Revenues, Expenses, and Changes in Net Position

| <i>Years Ended June 30,</i> | 2020 | 2019 |
|---|---------------------|---------------------|
| Operating revenue: | | |
| Net patient service revenue | \$ 11,644,364 | \$ 10,941,559 |
| Other operating income | 374,348 | 267,699 |
| Total operating revenue | 12,018,712 | 11,209,258 |
| Operating expenses: | | |
| Salaries and wages | 8,511,090 | 7,264,777 |
| Employee benefits | 2,633,953 | 2,307,545 |
| Professional fees | 447,214 | 530,319 |
| Supplies | 1,167,412 | 1,196,874 |
| Purchased services - Utilities | 175,020 | 195,696 |
| Purchased services - Other | 964,581 | 747,927 |
| Insurance | 127,607 | 113,899 |
| Other operating expense | 542,572 | 594,547 |
| Depreciation expense | 612,363 | 496,477 |
| Total operating expenses | 15,181,812 | 13,448,061 |
| Loss from operations | (3,163,100) | (2,238,803) |
| Nonoperating revenue (expenses): | | |
| Property tax revenue | 2,129,531 | 1,951,914 |
| Grant revenue | 229,110 | 183,930 |
| Contract revenue | 138,557 | 134,996 |
| Interest earnings | 61,400 | 58,752 |
| Interest expense | (101,745) | (95,230) |
| Donations | 24,584 | 46,516 |
| Gain on sale of assets | 337 | 2,798 |
| Other | 250,369 | 247,427 |
| Total nonoperating revenue - Net | 2,732,143 | 2,531,103 |
| Excess (deficit) of revenue over expenses | (430,957) | 292,300 |
| Capital grants and contributions | 284,426 | 160,407 |
| Increase (decrease) in net position | (146,531) | 452,707 |
| Net position - Beginning of year | 6,066,996 | 5,614,289 |
| Net position - End of year | \$ 5,920,465 | \$ 6,066,996 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Statements of Cash Flows

| <i>Years Ended June 30,</i> | 2020 | 2019 |
|--|---------------|---------------|
| Cash flows from operating activities: | | |
| Receipts from and on behalf of patients | \$ 12,412,031 | \$ 10,781,480 |
| Receipts from other operating revenue | 374,348 | 267,699 |
| Payments to employees | (11,007,902) | (9,543,370) |
| Payments to suppliers, contractors, and others | (3,661,812) | (3,414,866) |
| Net cash used in operating activities | (1,883,335) | (1,909,057) |
| Cash flows from noncapital financing activities: | | |
| Taxation for operations | 2,127,227 | 1,962,404 |
| Cash received from grants, contract revenue, contributions, and donations | 392,251 | 365,442 |
| Cash received from emergency COVID-19 funding - HHS Provider Relief grant | 4,013,229 | - |
| Other | 250,369 | 245,177 |
| Net cash provided by noncapital financing activities | 6,783,076 | 2,573,023 |
| Cash flows from capital and related financing activities: | | |
| Proceeds from sale of assets | 2,365 | 3,003 |
| Proceeds from issuance of long-term debt | 282,600 | 834,857 |
| Proceeds from emergency COVID-19 funding - Paycheck Protection Program loan | 1,788,357 | - |
| Principal paid on long-term debt and capital lease obligations | (369,629) | (304,601) |
| Interest paid on long-term debt and capital lease obligations | (101,588) | (94,518) |
| Received from capital grants and contributions | 284,426 | 160,407 |
| Purchase of capital assets | (690,990) | (1,487,887) |
| Net cash provided by (used in) capital and related financing activities | 1,195,541 | (888,739) |
| Cash flows provided by investing activities - Interest received | 61,400 | 58,752 |
| Net increase (decrease) in cash and cash equivalents | 6,156,682 | (166,021) |
| Cash and cash equivalents - Beginning of year | 2,765,746 | 2,931,767 |
| Cash and cash equivalents - End of year | \$ 8,922,428 | \$ 2,765,746 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Statements of Cash Flows (Continued)

| Years Ended June 30, | 2020 | 2019 |
|---|----------------|----------------|
| Reconciliation of loss from operations to net cash used in operating activities: | | |
| Loss from operations | \$ (3,163,100) | \$ (2,238,803) |
| Adjustments to reconcile loss from operations to net cash used in operating activities: | | |
| Provision for bad debt | 153,486 | 171,836 |
| Depreciation expense | 612,363 | 496,477 |
| Changes in assets and liabilities: | | |
| Receivables: | | |
| Patient accounts - Net | (365,111) | (326,469) |
| Other | 773 | (11,174) |
| Due from third-party reimbursement programs | 270,929 | (5,446) |
| Inventories | (50,774) | (3,617) |
| Prepaid expenses | (185) | 7,427 |
| Accounts payable | (187,220) | (28,240) |
| Accrued compensation and related liabilities | 65,007 | 8,254 |
| Due to third-party reimbursement programs | 708,363 | - |
| Compensated absences | 72,134 | 20,698 |
| Total adjustments | 1,279,765 | 329,746 |
| Net cash used in operating activities | \$ (1,883,335) | \$ (1,909,057) |
| Noncash capital and related financing activities: | | |
| Capital assets purchases financed by capital lease obligations | \$ - | \$ 94,459 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District") owns and operates a 21-bed acute care hospital. The District also owns and operates three medical clinics located in Heppner, Irrigon, and Lone, Oregon. The District provides health care services to patients primarily in the Morrow County area. The services provided include acute care hospital, swing bed, medical clinic, emergency room, home health, hospice, ambulance, and related ancillary procedures (lab, x-ray, etc.) associated with those services. The District operates under the laws of the State of Oregon for Oregon municipal corporations.

Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States for establishing governmental accounting and financial reporting principles. The District's financial statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Unbilled hospital services receivable are recorded at year-end.

Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The District considers significant accounting estimates to be those that require significant judgment and include the valuation of patient accounts receivable, including contractual adjustments and allowance for uncollectible accounts, and estimated third-party payors' settlements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturity dates of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and allowances for doubtful accounts, which reflect management's estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of net patient revenue and a credit to a contractual allowance. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of net patient revenue and a credit to a valuation allowance.

In evaluating the collectibility of patient accounts receivable, the District analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful 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 doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts 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 includes 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 doubtful accounts.

Property Taxes

The District received approximately 15.46% and 15.14% of its financial support from property taxes in the years ended June 30, 2020 and 2019, respectively.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Property taxes are levied by the District and collected by the Morrow County Treasurer for operations. Taxes estimated to be collectible are recorded as revenue in the year of the levy. No allowance for doubtful taxes receivable is considered necessary. Taxes levied are recorded as nonoperating revenue. The taxes are levied on July 1 each year and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of September 30 each year. On November 4, 2008, the District voters approved a five-year special operating levy, which began in fiscal year 2010. District voters approved another five-year special operating levy that began in fiscal year 2015. Voters approved an additional five-year levy in May 2019 which was approved at the same rate as the previous levy and began in fiscal year 2020.

The funds used to support operations were \$2,129,531 and \$1,951,914 for the years ended June 30, 2020 and 2019, respectively.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or net realizable value. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents includes certain cash and other assets whose use is limited by debt agreements, by donors, and by grant and service contracts.

Capital Assets and Depreciation

Capital asset acquisitions exceeding \$5,000 are capitalized and recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in process are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

| | |
|-------------------------------------|----------------|
| Land improvements | 15 to 20 years |
| Buildings and building improvements | 20 to 40 years |
| Equipment, computers, and furniture | 3 to 7 years |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Asset Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset might have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent on the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenue, expenses, and changes in net position. No impairment loss was recorded for the years ended June 30, 2020 and 2019.

Compensated Absences

The District's employees earn vacation days at varying rates depending on years of service and the number of hours worked. The District has a policy that requires employees to cash out vacation hours if they maintain a balance of over 320 hours in their accrual bank. Vacation benefits are a vested benefit and payable upon separation from the District. Employees also earn sick leave benefits based on a standard accrual rate multiplied by the number of hours worked. Employees may accumulate sick leave up to a maximum of 960 hours. Sick time is not a vested benefit, and employees are not paid for accumulated sick time when they separate from the District.

The District considers compensated absence liabilities to be a current liability of the District. These obligations are expected to be liquidated with current assets.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position is reported in three categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.

Restricted - This category consists of noncapital assets whose use is restricted, reduced by liabilities and deferred inflows of resources related to those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, donors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category consists of the remaining net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

Operating Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services—the District's principal activity. Nonexchange revenue, including grants, property taxes, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient 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. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients, the District recognizes revenue on the basis of its standard rates for services provided. 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.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Charity Care

The District provides care to patients who meet certain criteria under its charity care (financial assistance) policy without charge or according to a sliding scale based on income. The District maintains records to identify and monitor the level of charity care provided.

Grants and Contributions

From time to time, the District receives grants from the federal government and the State of Oregon as well as contributions from individuals and private organizations. Revenue 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 that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue in the year received.

Gifts, grants, and bequests restricted by donors for specific purposes are recorded as restricted net position and transferred to unrestricted net position when amounts are expended for their restricted purpose. When restricted funds are used for operations, these amounts are reflected in the statements of revenues, expenses, and changes in net position as other operating revenue.

Advertising Costs

Advertising costs are expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through September 18, 2020, which is the date the financial statements were available to be issued.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 2: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits per insured institution. At June 30, 2020, the District exceeded the insured limits. The District's deposits in excess of federally insured limits are protected by the qualifying institutions' participation in the Oregon Public Funds Collateralization Program (PFCP), which provides protection from loss for deposits in excess of federal limits.

Oregon Revised Statute (ORS) Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110% of the greater of:

- All public funds held by the bank depository or
- The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

The District maintains its investments in the State of Oregon Local Government Investment Pool (LGIP), which is an alternate investment vehicle offered to participants that by law are made the custodian of, or have control of, any public funds. The investments are recorded at fair value and are the same as the value of the pool shares. The LGIP investments are governed by a written investment policy that is reviewed annually by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board is comprised of members of local government and private investment professionals, who are appointed by the Governor of the State of Oregon.

The LGIP is not rated by any national rating service. The District considers all investments to be cash and cash equivalents. The LGIP is not subject to fair value hierarchy disclosures. All final decisions regarding the purchase and sale of investment securities remain with the District Board. The District's investment procedure is designed to maximize return and limit the following types of risk:

Credit risk - The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of credit risk - The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer).

Interest rate risk - The possibility that an interest rate change could adversely affect an investment's fair value.

Custodial credit risk - The risk that in an event of a bank failure the District's deposits may not be returned to it. ORS 295.0002 provides for funds deposited in excess of \$250,000 to be held only in a depository qualified by the PFCP. The District's deposits are held by a depository qualified under PFCP for the years ended June 30, 2020 and 2019.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 2: Cash and Cash Equivalents (Continued)

Cash and cash equivalents consisted of the following at:

| <i>June 30,</i> | 2020 | 2019 |
|---|---------------------|---------------------|
| Current assets - Cash and cash equivalents | \$ 8,173,389 | \$ 2,075,842 |
| Noncurrent assets - Cash and cash equivalents | 749,039 | 689,904 |
| Total cash and cash equivalents | \$ 8,922,428 | \$ 2,765,746 |

The carrying amounts of cash and cash equivalents are included in the District's statements of net position as follows:

| <i>June 30,</i> | 2020 | 2019 |
|--|---------------------|---------------------|
| Included in the following statements of net position descriptions: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,173,389 | \$ 2,075,842 |
| Noncurrent assets: | | |
| Board-designated cash - Capital fund | 199,161 | 190,539 |
| Restricted cash and cash equivalents: | | |
| Restricted by debt instrument, Bank of Eastern Oregon | - | 19,155 |
| Restricted by debt instrument, USDA reserve fund | 68,588 | 68,588 |
| Restricted by donors | 108,511 | 107,113 |
| Restricted by grant and service contracts | 372,779 | 304,509 |
| Total restricted cash and cash equivalents | 549,878 | 499,365 |
| Total cash and cash equivalents | \$ 8,922,428 | \$ 2,765,746 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors

The District provides services to patients under contractual agreements with the Medicare and Medicaid programs. Differences between gross revenue charged and reimbursement under each of the various programs are included in revenue deductions and allowances. Gross revenue billed under the Medicare and Medicaid programs totaled approximately \$9,040,670 and \$8,164,000 for the years ended June 30, 2020 and 2019, respectively.

Medicare

The District's hospital is designated as a critical access hospital (CAH). As a CAH, the District's inpatient and outpatient services provided to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District's clinics are certified as rural health clinics. As such, services provided to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. The District is reimbursed for cost at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The Medicare program's administrative procedures preclude final determination of amounts due to the District for such services until three years after the District's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary. The District's Medicare cost reports have been final-settled through the year ended June 30, 2017.

Medicaid

Because the District's hospital is a CAH, inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed 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 audits thereof by the Medicaid fiscal intermediary. Medicaid reimburses RHCs on a prospective rate that is based on historical cost without any cost report settlement at year-end. The District's Medicaid cost reports have been final-settled through the year ended June 30, 2017.

Other

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, reimbursed costs, discounted charges, and per diem payments.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors (Continued)

Laws and Regulations

The health care 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, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed.

While no significant regulatory inquiries have been made of the District, 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.

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that might have been made to health care providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The District may either accept or appeal the RAC's findings. A RAC review of the District's Medicare claims is anticipated; however, the outcome of such a review is unknown, and any financial impact cannot be reasonably estimated at this time.

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable consisted of the following:

| <i>June 30,</i> | 2020 | 2019 |
|---|--------------|--------------|
| Receivable from patients and their insurance carriers | \$ 1,129,548 | \$ 1,133,275 |
| Receivable from Medicare | 706,463 | 603,887 |
| Receivable from Medicaid | 133,016 | 172,212 |
| Total patient accounts receivable | 1,969,027 | 1,909,374 |
| Less - Contractual adjustments | (30,000) | 134,972 |
| Less - Allowance for uncollectible amounts | 163,000 | 150,000 |
| Patient accounts receivable - Net | \$ 1,836,027 | \$ 1,624,402 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 5: Capital Assets

Capital assets consisted of the following:

| | Balance July 1, 2019 | Additions | Retirements | Transfers | Balance June 30, 2020 |
|--|-------------------------|-----------|-------------|-----------|--------------------------|
| Nondepreciable capital assets: | | | | | |
| Land | \$ 95,450 | \$ - | \$ - | \$ - | 95,450 |
| Construction in progress | 87,158 | 481,367 | (705) | (372,166) | 195,654 |
| Total nondepreciable capital assets | 182,608 | 481,367 | (705) | (372,166) | 291,104 |
| Depreciable capital assets: | | | | | |
| Land improvements | 269,471 | - | - | - | 269,471 |
| Buildings and improvements | 5,705,980 | - | - | 11,445 | 5,717,425 |
| Software | 758,810 | - | - | - | 758,810 |
| Equipment | 5,656,728 | 209,623 | (217,006) | 360,721 | 6,010,066 |
| Total depreciable capital assets | 12,390,989 | 209,623 | (217,006) | 372,166 | 12,755,772 |
| Total capital assets before depreciation | 12,573,597 | 690,990 | (217,711) | - | 13,046,876 |
| Less Accumulated depreciation | (8,300,772) | (612,363) | 215,683 | - | (8,697,452) |
| Capital assets - Net | \$ 4,272,825 | \$ 78,627 | \$ (2,028) | \$ - | 4,349,424 |

At June 30, 2020, construction in progress consisted of the planning and architect fees for a new clinic and renovations to the hospital. At year-end, management did not have an estimated cost to complete the projects or a viable date for completion.

Construction in progress also consisted of a server upgrade project and the Irrigon Ambulance Hall project. At year-end, management anticipated the server project to be completed by the end of July 2020, with an estimated cost of completion to be \$32,760. Management anticipates the Irrigon Ambulance Hall project to be completed by the end of fiscal year 2021, with an estimated cost of completion to be \$250,000.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 5: Capital Assets (Continued)

Capital assets consisted of the following:

| | Balance July 1, 2018 | Additions | Retirements | Transfers | Balance June 30, 2019 |
|--|-------------------------|--------------|-------------|-------------|--------------------------|
| Nondepreciable capital assets: | | | | | |
| Land | \$ 85,203 | \$ - | \$ - | \$ 10,247 | \$ 95,450 |
| Construction in progress | 577,968 | 1,449,630 | - | (1,940,440) | 87,158 |
| Total nondepreciable capital assets | 663,171 | 1,449,630 | - | (1,930,193) | 182,608 |
| Depreciable capital assets: | | | | | |
| Land improvements | 54,355 | - | - | 215,116 | 269,471 |
| Buildings and improvements | 4,512,221 | - | - | 1,193,759 | 5,705,980 |
| Software | 758,810 | - | - | - | 758,810 |
| Equipment | 5,056,681 | 132,716 | (53,987) | 521,318 | 5,656,728 |
| Total depreciable capital assets | 10,382,067 | 132,716 | (53,987) | 1,930,193 | 12,390,989 |
| Total capital assets before depreciation | 11,045,238 | 1,582,346 | (53,987) | - | 12,573,597 |
| Less Accumulated depreciation | (7,860,327) | (494,227) | 53,782 | - | (8,300,772) |
| Capital assets - Net | \$ 3,184,911 | \$ 1,088,119 | \$ (205) | \$ - | \$ 4,272,825 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|--|-------------------------|--------------|--------------|--------------------------|-----------------------------------|
| Long-term debt: | | | | | |
| Direct borrowings and placements | | | | | |
| USDA Loan | \$ 877,535 | \$ - | \$ (26,347) | \$ 851,188 | \$ 27,661 |
| Bank of Eastern Oregon Boilers Loan | - | 135,000 | (12,233) | 122,767 | 25,349 |
| Bank of Eastern Oregon Remodel | 182,928 | - | (42,461) | 140,467 | 44,388 |
| Bank of Eastern Oregon Boardman Ambulance Loan | - | 147,600 | (6,524) | 141,076 | 27,449 |
| Greater E. Oregon Devel. Corp. Morrow County IMC Loan | 39,454 | - | (9,786) | 29,668 | 9,987 |
| Greater E. Oregon Devel. Corp. Morrow County Annex Loan | 25,945 | - | (16,338) | 9,607 | 9,607 |
| Bank of Eastern Oregon Amb./Lab Loan | 89,906 | - | (40,594) | 49,312 | 42,142 |
| Bank of Eastern Oregon Boardman Building Loan | 153,985 | - | (15,367) | 138,618 | 15,975 |
| Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan | 87,510 | - | (9,521) | 77,989 | 9,672 |
| Bank of Eastern Oregon Procedure Room Remodel Loan | 120,114 | - | (35,405) | 84,709 | 36,768 |
| Bank of Eastern Oregon IMC Expansion Loan | 456,221 | - | (39,437) | 416,784 | 41,189 |
| Bank of Eastern Oregon Omnicell and Ultrasound Loan | 299,812 | - | (68,387) | 231,425 | 71,571 |
| Total direct borrowings and placements | 2,333,410 | 282,600 | (322,400) | 2,293,610 | 361,758 |
| Capital lease obligations: | | | | | |
| Stryker Power Loaders Lease | 94,459 | - | (47,229) | 47,230 | 47,230 |
| Other long-term debt obligations: | | | | | |
| Paycheck Protection Program Loan | - | 1,788,357 | - | 1,788,357 | - |
| Total long-term debt | \$ 2,427,869 | \$ 2,070,957 | \$ (369,629) | \$ 4,129,197 | \$ 408,988 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-term debt obligations consisted of the following:

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Amounts Due Within One Year |
|--|-------------------------|------------|--------------|--------------------------|-----------------------------------|
| Long-term debt: | | | | | |
| Direct borrowings and placements | | | | | |
| USDA Loan | \$ 902,663 | \$ - | \$ (25,128) | \$ 877,535 | \$ 26,350 |
| Bank of Eastern Oregon Revenue Bonds | 4,407 | - | (4,407) | - | - |
| Greater E. Oregon Devel. Corp. Morrow County Remodel Loan | 17,511 | - | (17,511) | - | - |
| Bank of Eastern Oregon Remodel | 223,454 | - | (40,526) | 182,928 | 42,439 |
| Bank of Eastern Oregon Equipment/Amb. Loan | 18,097 | - | (18,097) | - | - |
| Greater E. Oregon Devel. Corp. Morrow County IMC Loan | 48,254 | - | (8,800) | 39,454 | 9,790 |
| Greater E. Oregon Devel. Corp. Morrow County Annex Loan | 40,707 | - | (14,762) | 25,945 | 16,361 |
| Bank of Eastern Oregon Amb./Lab Loan | 129,021 | - | (39,115) | 89,906 | 40,593 |
| Bank of Eastern Oregon Boardman Building Loan | 168,700 | - | (14,715) | 153,985 | 15,350 |
| Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan | 96,113 | - | (8,603) | 87,510 | 9,516 |
| Bank of Eastern Oregon Procedure Room Remodel Loan | 154,227 | - | (34,113) | 120,114 | 35,417 |
| Bank of Eastern Oregon IMC Expansion Loan | - | 475,000 | (18,779) | 456,221 | 39,380 |
| Bank of Eastern Oregon Omnicell and Ultrasound Loan | - | 359,857 | (60,045) | 299,812 | 68,428 |
| Total direct borrowings and placements | 1,803,154 | 834,857 | (304,601) | 2,333,410 | 303,624 |
| Capital lease obligations: | | | | | |
| Stryker Power Loaders Lease | - | 94,459 | - | 94,459 | 48,973 |
| Total long-term debt | \$ 1,803,154 | \$ 929,316 | \$ (304,601) | \$ 2,427,869 | \$ 352,597 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-Term Debt

The terms of the District's long-term obligations are as follows:

- Bank of Eastern Oregon - Note dated November 25, 2013, due in monthly payments of \$3,661, including interest of 3.75% through 2018. Collateralized by inventory, equipment, and general intangibles.
- Bank of Eastern Oregon - Note dated March 3, 2020, due in monthly payments of \$2,732, including interest at 4.15% through 2025. Collateralized by the titled vehicles.
- Bank of Eastern Oregon - Note dated December 9, 2019, due in monthly payments of \$2,497, including interest at 4.15% through 2024. Collateralized by inventory, equipment, and general intangibles.
- Bank of Eastern Oregon - IMC Expansion Loan - Note dated December 12, 2018, due in monthly payments of \$4,925, including interest at 4.50% through 2028. Collateralized by inventory, equipment, and general intangibles.
- Bank of Eastern Oregon - Omnicell and Ultrasound - Note dated July 25, 2018, due in monthly payments of \$6,710, including interest at 4.50% through 2023. Collateralized by inventory, equipment, and general intangibles.
- Greater Eastern Oregon Development Council (GEODC) - Note dated January 31, 2018, due in monthly payments of \$898, including interest at 1.5% through 2028. Collateralized by the purchase of building and land.
- Bank of Eastern Oregon - Note dated January 29, 2018, due in monthly payments of \$1,769, including interest of 4.00% through 2028. Collateralized by the purchase of building and land.
- Bank of Eastern Oregon - Note dated September 26, 2017, due in monthly payments of \$3,276, including interest of 3.75% through 2022. Collateralized by inventory, equipment, and general intangibles.
- Bank of Eastern Oregon - Note dated August 16, 2016, due in monthly payments of \$3,606, including interest of 3.75% through 2021. Collateralized by the purchased equipment.
- GEODC - Note dated January 12, 2016, due in monthly payments of \$1,385, including interest at 1.5% through 2021. Collateralized by building and land.
- GEODC - Note dated May 7, 2013, due in monthly payments of \$874, including interest at 2.00% through 2023. Collateralized by the purchased equipment.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

- Bank of Eastern Oregon - Note dated February 27, 2009, due in monthly payments of \$4,150, including interest at 4.50% through 2023. Collateralized by the District's gross receipts, property tax revenue, and all District assets, excluding Pioneer Memorial Hospital.
- GEODC - Note dated February 25, 2009, due in monthly payments of \$2,190, including interest at 1.00% through 2019. Collateralized by general revenue, including property tax revenue. GEODC debt is junior and subordinated to USDA loan and Bank of Eastern Oregon revenue bonds. The note was paid in full in 2019.
- Bank of Eastern Oregon - Revenue Bonds dated September 1, 2003, due in monthly payments of \$3,193, including interest at 5.00% through 2021. Collateralized by the District's gross receipts, property tax revenue, and all District assets, excluding Pioneer Memorial Hospital. The note was paid in full in 2019.
- Rural Housing Service, United States Department of Agriculture (USDA) - Note dated August 2002, due in monthly payments of \$5,622, including interest at 4.75% through 2042. Collateralized by the District's gross receipts and all present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility.

Capital Lease Obligations

The terms and due date of the District's capital lease obligations are as follows:

- Stryker Sales Corporation - Lease agreement dated June 26, 2018, due in annual installments of \$49,459, including interest at 6.00% through fiscal year 2021. Collateralized by equipment.

Other Long-Term Debt Obligations

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The District applied for and was approved for a loan of \$1,788,357 that may be partially or fully forgiven based on the level of employee retention and if utilized for payroll costs, mortgage obligations, rent, or utilities within a specified covered period and in accordance with the terms and conditions of the PPP loan. The portion of the loan that is not forgiven, if any, will have a maturity no longer than five years and will bear interest at 1%.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Equipment under capital lease obligations consisted of the following:

| <i>June 30,</i> | 2020 | 2019 |
|-------------------------------|------------------|------------------|
| Historical Cost | \$ 98,459 | \$ 98,459 |
| Less Accumulated depreciation | (26,959) | (12,893) |
| Totals | \$ 71,500 | \$ 85,566 |

Scheduled principal and interest repayments on direct borrowings and placements long-term debt are as follows:

| <i>June 30,</i> | Bonds and Notes Payable | | |
|-----------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2021 | \$ 361,758 | \$ 84,048 | \$ 445,806 |
| 2022 | 1,125,746 | 74,740 | 1,200,486 |
| 2023 | 1,299,207 | 62,422 | 1,361,629 |
| 2024 | 174,708 | 53,170 | 227,878 |
| 2025 | 150,619 | 47,252 | 197,871 |
| 2026-2030 | 464,304 | 163,359 | 627,663 |
| 2031-2035 | 244,831 | 92,489 | 337,320 |
| 2036-2040 | 260,794 | 27,772 | 288,566 |
| Totals | \$ 4,081,967 | \$ 605,252 | \$ 4,687,219 |

Scheduled principal and interest payments on capital leases are as follows:

| <i>June 30,</i> | |
|---------------------------------------|------------------|
| 2021 | \$ 51,189 |
| Less amounts attributable to interest | (3,959) |
| Total | \$ 47,230 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 7: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended June 30:

| | 2020 | 2019 |
|--------------------------------|---------------|---------------|
| Gross patient service revenue: | | |
| Inpatient services | \$ 2,547,878 | \$ 1,739,868 |
| Outpatient services | 10,343,402 | 9,919,775 |
| Totals | 12,891,280 | 11,659,643 |
| Less: | | |
| Contractual adjustments | 1,093,430 | 546,248 |
| Provisions for bad debt | 153,486 | 171,836 |
| Net patient service revenue | \$ 11,644,364 | \$ 10,941,559 |

The following table reflects the percentage of gross patient service revenue by payor source for the years ended June 30:

| | 2020 | 2019 |
|--------------------------|-------|-------|
| Medicare | 53 % | 52 % |
| Medicaid | 17 % | 18 % |
| Other third-party payors | 26 % | 26 % |
| Self-pay | 4 % | 4 % |
| Totals | 100 % | 100 % |

Note 8: Charity Care

The District provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the District, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 8: Charity Care (Continued)

Gross charges related to patients under the District's charity care policy were \$297,519 in 2020 and \$127,553 in 2019.

Note 9: Employee Benefits and Employee Retirement Plans

The District offers postretirement benefits through AIG VALIC.

Pension plan 401(a) - On July 1, 1998, the District established a defined contribution retirement plan, Morrow County Health District Retirement Plan, which provides retirement benefits to employees of the District. The plan is a profit-sharing plan established under Section 401(a) of the Internal Revenue Code (IRC). The plan covers full-time employees and part-time employees working more than 20 hours per week who are over the age of 18. The District contributes a flat percentage based on profit margin, but no less than 5% of employee earnings. Contributions to the plan from the District were \$326,673 and \$307,474 for the years ended June 30, 2020 and 2019, respectively.

Deferred compensation plan 457 - The District provides a deferred compensation plan to substantially all employees under Section 457 of the IRC. The deferred compensation plan is funded solely from employee contributions, which are deposited with several financial institutions. Effective January 1, 1997, by federal law, these assets can be used only to meet obligations under the plan. Net plan activity was \$410,808 and \$236,985 (including rollover contributions), with funds on deposit of \$2,839,123 and \$2,428,315 for the years ended June 30, 2020 and 2019, respectively.

Retirement benefits 403(b) - The District has a tax-sheltered annuity plan under Section 403(b) of the IRC that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. The plan allows the participant to make voluntary contributions. Employee annuity contributions are 100% vested. Total employee contributions and transfers to the plan during the year were \$77,858 and \$57,554 for the years ended June 30, 2020 and 2019, respectively.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 9: Employee Benefits and Employee Retirement Plans (Continued)

The following is a summary for all postretirement plan activity for the years ended June 30:

| Plan | Value July 1, 2019 | Additions | Interest Earned | Gain | Distributions/ Adjustments | Value June 30, 2020 |
|--------|-----------------------|------------|--------------------|-----------|-------------------------------|------------------------|
| 401(a) | \$ 2,669,707 | \$ 326,673 | \$ 23,541 | \$ 50,427 | \$ (112,925) | \$ 2,957,423 |
| 457 | 2,428,315 | 468,116 | 24,259 | 17,375 | (98,942) | 2,839,123 |
| 403(b) | 622,971 | 77,858 | 8,961 | 7,355 | (25,146) | 691,999 |

| Plan | Value July 1, 2018 | Additions | Interest Earned | Gain | Distributions/ Adjustments | Value June 30, 2019 |
|--------|-----------------------|------------|--------------------|-----------|-------------------------------|------------------------|
| 401(a) | \$ 2,521,537 | \$ 307,474 | \$ 22,215 | \$ 59,982 | \$ (241,501) | \$ 2,669,707 |
| 457 | 2,191,330 | 202,487 | 22,535 | 37,101 | (25,138) | 2,428,315 |
| 403(b) | 561,935 | 57,554 | 8,624 | 9,447 | (14,589) | 622,971 |

Note 10: Risk Management

Liability Insurance

The District has its professional liability insurance coverage with Washington Casualty Insurance Company. The policy provides protection on a “claims made” basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

Coverage is provided in two policies: a primary policy with \$1,000,000 for each medical incident and a \$5,000,000 limit aggregate and an excess policy with \$4,000,000 limits in excess of \$1,000,000 for a total of \$5,000,000 per occurrence and \$9,000,000 aggregate.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. The District does not believe potential claims are significant and, accordingly, has not provided a reserve for potential claims from services provided to patients through June 30, 2020, which have not yet been asserted.

The District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 11: Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist principally of patient accounts receivable. Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to the patients.

The mix of receivables from patients, residents, and third-party payors consisted of the following at June 30:

| | 2020 | 2019 |
|--------------------------|-------|-------|
| Medicare | 36 % | 32 % |
| Medicaid | 7 % | 9 % |
| Other third-party payors | 27 % | 30 % |
| Self-pay | 30 % | 29 % |
| Totals | 100 % | 100 % |

Note 12: Provider Relief Funding

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the District that both operational performance and cash flows for healthcare-related entities has been and will be impacted in fiscal year 2020 as well as future periods until the pandemic ends.

During 2020, the District received approximately \$4,000,000 in grant funding funds from the U.S. Department of Health and Human Services (HHS) Provider Relief Fund which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring COVID-19 expenses or by incurring lost revenue as a result of COVID-19. During 2020, the District recognized no grant revenue related to this program, and accordingly, the funds received are reported in unearned revenue in the accompanying statements of net position.

Supplementary Information

Morrow County Health District d/b/a Pioneer Memorial Hospital

Schedule of Patient Service Revenue

Year Ended June 30, 2020

| | Hospital | | Clinics | | | Ambulances | | | | Home | | |
|-------------------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|---------------------|
| | Inpatient | Outpatient | Heppner | Irrigon | Ione | Heppner | Boardman | Irrigon | Ione | Health | Hospice | Total |
| Daily patient services: | | | | | | | | | | | | |
| Medical - Surgical | \$ 773,107 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 773,107 |
| Swing bed program | 690,761 | - | - | - | - | - | - | - | - | - | - | 690,761 |
| Total daily patient services | 1,463,868 | - | - | - | - | - | - | - | - | - | - | 1,463,868 |
| Ancillary services: | | | | | | | | | | | | |
| Clinic services | - | - | 1,148,307 | 1,116,193 | 213,215 | - | - | - | - | - | - | 2,477,715 |
| Home health | - | - | - | - | - | - | - | - | - | 422,758 | - | 422,758 |
| Hospice | - | - | - | - | - | - | - | - | - | - | 432,666 | 432,666 |
| Emergency room | 128,323 | 1,186,140 | - | - | - | - | - | - | - | - | - | 1,314,463 |
| Radiology | 22,441 | 593,952 | - | - | - | - | - | - | - | - | - | 616,393 |
| CT scan | 31,534 | 633,479 | - | - | - | - | - | - | - | - | - | 665,013 |
| Laboratory | 158,713 | 1,995,920 | - | - | - | - | - | - | - | - | - | 2,154,633 |
| Electrocardiography | 2,851 | 54,105 | - | - | - | - | - | - | - | - | - | 56,956 |
| Respiratory therapy | 93,757 | 230,349 | - | - | - | - | - | - | - | - | - | 324,106 |
| Supplies and other | 19,419 | 41,687 | - | - | - | - | - | - | - | - | - | 61,106 |
| Pharmacy | 443,859 | 774,647 | - | - | - | - | - | - | - | - | - | 1,218,506 |
| Physical therapy | 183,509 | 10,092 | - | - | - | - | - | - | - | - | - | 193,601 |
| Procedure | 358 | 241,107 | - | - | - | - | - | - | - | - | - | 241,465 |
| Ambulance | - | - | - | - | - | 426,839 | 490,161 | 326,241 | 4,790 | - | - | 1,248,031 |
| Total ancillary services | 1,084,764 | 5,761,478 | 1,148,307 | 1,116,193 | 213,215 | 426,839 | 490,161 | 326,241 | 4,790 | 422,758 | 432,666 | 11,427,412 |
| Gross patient revenue | 2,548,632 | 5,761,478 | 1,148,307 | 1,116,193 | 213,215 | 426,839 | 490,161 | 326,241 | 4,790 | 422,758 | 432,666 | 12,891,280 |
| Medicare adjustments | 1,311,311 | (878,910) | 23,820 | 76,402 | (2,906) | - | - | - | - | (104,108) | (5,002) | 420,607 |
| Medicaid adjustments | (20,199) | (515,686) | 62,764 | 60,812 | (2,277) | - | - | - | - | (2,941) | 70 | (417,457) |
| Commercial adjustments | (16,660) | (254,073) | (189,459) | (206,215) | (46,576) | 13,760 | - | - | - | (22,446) | (3,539) | (725,208) |
| Administrative adjustments | (3,970) | (40,583) | (15,300) | (6,424) | (912) | - | - | - | - | (6,664) | - | (73,853) |
| Charity care | (28,538) | (222,889) | (22,179) | (19,624) | (4,289) | - | - | - | - | - | - | (297,519) |
| Provision for bad debt | (36,339) | (82,148) | (10,303) | (22,141) | (2,555) | - | - | - | - | - | - | (153,486) |
| Total revenue deductions | 1,205,605 | (1,994,289) | (150,657) | (117,190) | (59,515) | 13,760 | - | - | - | (136,159) | (8,471) | (1,246,916) |
| Net patient service revenue | \$ 3,754,237 | \$ 3,767,189 | \$ 997,650 | \$ 999,003 | \$ 153,700 | \$ 440,599 | \$ 490,161 | \$ 326,241 | \$ 4,790 | \$ 286,599 | \$ 424,195 | \$11,644,364 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Schedule of Operating Expenses and Interest Expense

Year Ended June 30, 2020

| | Personnel Services | Materials, Services, and Interest | Subtotal | Depreciation and Amortization | Total |
|-----------------------|-----------------------|---|----------------------|-------------------------------------|----------------------|
| Administration | \$ 575,754 | \$ 473,928 | \$ 1,049,682 | \$ 33,792 | \$ 1,083,474 |
| Accounting services | 341,217 | 55,454 | 396,671 | - | 396,671 |
| Business office | 457,536 | 64,354 | 521,890 | 3,388 | 525,278 |
| Information systems | 96,321 | 506,224 | 602,545 | 41,694 | 644,239 |
| Dietary | 184,832 | 72,390 | 257,222 | 565 | 257,787 |
| Laundry | 36,601 | 9,721 | 46,322 | 752 | 47,074 |
| Housekeeping | 111,486 | 20,057 | 131,543 | - | 131,543 |
| Plant and maintenance | 232,114 | 161,752 | 393,866 | 124,047 | 517,913 |
| Central supply | 56,959 | 16,221 | 73,180 | - | 73,180 |
| Acute care | 1,324,759 | 233,801 | 1,558,560 | 78,325 | 1,636,885 |
| Pharmacy | 41,995 | 396,820 | 438,815 | 3,000 | 441,815 |
| Laboratory | 460,360 | 375,013 | 835,373 | 28,285 | 863,658 |
| IV therapy | - | 3,847 | 3,847 | - | 3,847 |
| Radiology | 287,410 | 93,284 | 380,694 | 37,300 | 417,994 |
| CT scan | 33,888 | 73,292 | 107,180 | - | 107,180 |
| Electrocardiography | 12,720 | 4,015 | 16,735 | 965 | 17,700 |
| Respiratory therapy | 66,210 | 1,426 | 67,636 | - | 67,636 |
| Emergency room | 858,654 | 158,309 | 1,016,963 | 13,684 | 1,030,647 |
| Medical records | 97,166 | 1,056 | 98,222 | - | 98,222 |
| Physical therapy | - | 29,708 | 29,708 | - | 29,708 |
| Swing bed | 518,152 | 2,360 | 520,512 | - | 520,512 |
| Swing bed NF | 418,868 | 20,169 | 439,037 | 3,008 | 442,045 |
| Procedure | 28,140 | 43,727 | 71,867 | 4,675 | 76,542 |
| Heppner ambulance | 276,110 | 35,841 | 311,951 | 44,815 | 356,766 |
| Subtotals | 6,517,252 | 2,852,769 | 9,370,021 | 418,295 | 9,788,316 |
| Home health | 365,186 | 146,887 | 512,073 | 9,198 | 521,271 |
| Hospice | 303,630 | 80,037 | 383,667 | 4,692 | 388,359 |
| Heppner clinic | 1,598,741 | 122,635 | 1,721,376 | 12,517 | 1,733,893 |
| Irrigon clinic | 1,466,316 | 204,660 | 1,670,976 | 101,489 | 1,772,465 |
| Ione clinic | 193,757 | 36,416 | 230,173 | 598 | 230,771 |
| Boardman ambulance | 367,220 | 49,442 | 416,662 | 48,382 | 465,044 |
| Irrigon ambulance | 318,581 | 29,395 | 347,976 | 11,885 | 359,861 |
| Ione ambulance | 7,722 | 3,825 | 11,547 | 5,307 | 16,854 |
| Lexington ambulance | 6,638 | 85 | 6,723 | - | 6,723 |
| Totals | \$ 11,145,043 | \$ 3,526,151 | \$ 14,671,194 | \$ 612,363 | \$ 15,283,557 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Schedule of Resources and Expenditures - Budget and Actual

Year Ended June 30, 2020

| | Filed Budget | Budget Amendments | Final Budget | Actual on a Budgetary Basis | Variance Favorable (Unfavorable) |
|---|----------------------|----------------------|----------------------|-----------------------------------|--|
| Resources: | | | | | |
| Net patient service revenue | \$ 13,277,777 | \$ - | \$ 13,277,777 | \$ 11,644,364 | \$ (1,633,413) |
| Property/other taxes | 1,989,482 | - | 1,989,482 | 2,129,531 | 140,049 |
| Grants/contributions/other | 956,822 | - | 956,822 | 1,017,305 | 60,483 |
| Interest | 55,000 | - | 55,000 | 61,400 | 6,400 |
| Operating/capital loans | 363,500 | - | 363,500 | 2,070,957 | 1,707,457 |
| Total resources | \$ 16,642,581 | \$ - | \$ 16,642,581 | \$ 16,923,557 | \$ 280,976 |
| Expenditures: | | | | | |
| Personal services | \$ 11,676,067 | \$ - | \$ 11,676,067 | \$ 11,145,043 | \$ 531,024 |
| Materials and services | 4,155,548 | - | 4,155,548 | 3,526,151 | 629,397 |
| Gross capital outlay | 900,779 | - | 900,779 | 690,990 | 209,789 |
| Debt service | 341,061 | - | 341,061 | 369,629 | (28,568) |
| Total expenditures | \$ 17,073,455 | \$ - | \$ 17,073,455 | \$ 15,731,813 | \$ 1,341,642 |
| Change in net position - Budgetary | | | | \$ 1,191,744 | |
| Reconciliation of statutory operating expenditures to GAAP-basis operating expenses: | | | | | |
| Add: Purchase of equipment | | | | 690,990 | |
| Add: Long-term debt and capital leases principal reductions | | | | 369,629 | |
| Add: Capital grants and contributions | | | | 284,426 | |
| Less: Long-term debt additions | | | | 2,070,957 | |
| Less: Depreciation and amortization | | | | <u>612,363</u> | |
| Total effects of reconciliation | | | | <u>(1,338,275)</u> | |
| Change in net position - GAAP | | | | (146,531) | |
| Net position - Beginning of year | | | | <u>6,066,996</u> | |
| Net position - End of year | | | | <u>\$ 5,920,465</u> | |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Schedule of Property Tax Transactions and Outstanding Balances

Year Ended June 30, 2020

| <i>Fiscal Year</i> | Property Taxes Receivable July 1, 2019 | Current Levy as Extended by Assessor | Discount Allowed | Corrections and Adjustments | Interest | Cash Collections | Property Taxes Receivable June 30, 2020 |
|--------------------|---|--|---------------------|--------------------------------|-------------|-----------------------|---|
| 2019-2020 | \$ - | \$ 2,194,480 | \$ (60,705) | \$ (1,733) | \$ - | \$ (2,102,386) | \$ 29,656 |
| 2018-2019 | 31,609 | - | 3 | (173) | - | (14,849) | 16,590 |
| 2017-2018 | 23,444 | - | - | (9) | - | (4,069) | 19,366 |
| 2016-2017 | 12,281 | - | - | (9) | - | (4,299) | 7,973 |
| 2015-2016 | 4,357 | - | - | (9) | - | (3,547) | 801 |
| 2014-2015 | 572 | - | - | (10) | - | (200) | 362 |
| 2013-2014 | 165 | - | - | - | - | (102) | 63 |
| Prior | 263 | - | - | - | - | (79) | 184 |
| Totals | \$ 72,691 | \$ 2,194,480 | \$ (60,702) | \$ (1,943) | \$ - | \$ (2,129,531) | \$ 74,995 |

Morrow County Health District d/b/a Pioneer Memorial Hospital

Schedule of Future Debt Service Requirements

Year Ended June 30, 2020

| Maturing During Year Ending | USDA Hospital Remodel | | Bank of Eastern Oregon Remodel Loan | | GEODC/Morrow County Irrigon Clinic Remodel | | GEODC/Morrow County Annex Loa | | Bank of Eastern Oregon Amb | | Bank of Eastern Oregon Boardman Building Loan | | GEODC/Morrow County Boardman Building Loan | | Bank of Eastern Oregon Procedure Room Remodel Loan | | Bank of Eastern Oregon Omniceil & Ultrasound Loan | | Bank of Eastern Oregon IMC Expansion Loan | | Bank of Eastern Oregon Boardman Ambulance Loan | |
|-----------------------------------|-----------------------|------------|--|-----------|---|----------|----------------------------------|----------|-------------------------------|----------|--|-----------|---|----------|--|----------|---|-----------|--|-----------|--|-----------|
| June 30, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 27,661 | \$ 39,803 | \$ 44,388 | \$ 5,414 | \$ 9,987 | \$ 503 | \$ 9,607 | \$ 48 | \$ 42,142 | \$ 1,130 | \$ 15,975 | \$ 5,255 | \$ 9,672 | \$ 1,103 | \$ 36,768 | \$ 2,548 | \$ 71,571 | \$ 8,948 | \$ 41,189 | \$ 17,915 | \$ 27,449 | \$ 5,340 |
| 2022 | 29,003 | 38,461 | 46,428 | 3,375 | 10,188 | 301 | - | - | 7,170 | 33 | 16,626 | 4,604 | 9,818 | 957 | 38,060 | 1,147 | 74,859 | 5,660 | 43,081 | 16,023 | 28,610 | 4,179 |
| 2023 | 30,412 | 37,053 | 48,560 | 1,242 | 9,493 | 96 | - | - | - | - | 17,303 | 3,926 | 9,966 | 809 | 9,881 | 63 | 78,298 | 2,221 | 45,060 | 14,044 | 29,820 | 2,968 |
| 2024 | 31,888 | 35,576 | 1,091 | 4 | - | - | - | - | - | - | 18,008 | 3,221 | 10,116 | 659 | - | - | 6,697 | 25 | 47,130 | 11,974 | 31,077 | 1,711 |
| 2025 | 33,436 | 34,028 | - | - | - | - | - | - | - | - | 18,742 | 2,488 | 10,269 | 506 | - | - | - | - | 49,295 | 9,809 | 24,120 | 421 |
| 2026-2030 | 193,163 | 144,157 | - | - | - | - | - | - | - | - | 51,964 | 2,816 | 28,148 | 584 | - | - | - | - | 191,029 | 15,802 | - | - |
| 2031-2035 | 244,831 | 92,489 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2036-2040 | 260,794 | 27,772 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Totals | \$ 851,188 | \$ 449,339 | \$ 140,467 | \$ 10,035 | \$ 29,668 | \$ 900 | \$ 9,607 | \$ 48 | \$ 49,312 | \$ 1,163 | \$ 138,618 | \$ 22,310 | \$ 77,989 | \$ 4,618 | \$ 84,709 | \$ 3,758 | \$ 231,425 | \$ 16,854 | \$ 416,784 | \$ 85,567 | \$ 141,076 | \$ 14,619 |

| Maturing During Year Ending | Bank of Eastern Oregon Boilers Loan | | Paycheck Protection Program Loan | | Stryker Capital Lease for Equipment | | Long-Term Debt Total | |
|-----------------------------------|--|-----------|-------------------------------------|-----------|--|----------|----------------------|------------|
| June 30, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 25,349 | \$ 4,619 | \$ - | \$ - | \$ 47,230 | \$ 3,959 | \$ 408,988 | \$ 88,007 |
| 2022 | 26,421 | 3,547 | 795,482 | 9,665 | - | - | 1,125,746 | 74,740 |
| 2023 | 27,539 | 2,429 | 992,875 | 4,597 | - | - | 1,299,207 | 62,422 |
| 2024 | 28,701 | 1,267 | - | - | - | - | 174,708 | 53,170 |
| 2025 | 14,757 | 180 | - | - | - | - | 150,619 | 47,252 |
| 2026-2030 | - | - | - | - | - | - | 464,304 | 163,359 |
| 2031-2035 | - | - | - | - | - | - | 244,831 | 92,489 |
| 2036-2040 | - | - | - | - | - | - | 260,794 | 27,772 |
| Total | \$ 122,767 | \$ 12,042 | \$ 1,788,357 | \$ 14,262 | \$ 47,230 | \$ 3,959 | \$ 4,129,197 | \$ 609,211 |

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Morrow County Health District
d/b/a Pioneer Memorial Hospital
Heppner, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (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 September 18, 2020.

Internal Control Over Financial Reporting

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

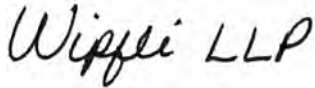
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

September 18, 2020
Spokane, Washington

Independent Auditor's Comments and Disclosures on Compliance in Accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*

Board of Directors
Morrow County Health District
d/b/a Pioneer Memorial Hospital
Heppner, Oregon

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District") as of and for the year ended June 30, 2020, and have issued our report thereon dated September 18, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-10-000 to 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure (OAR 162-010-0230)
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds (OAR 162-010-0240)
- The requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness (OAR 162-010-0250)
- The requirements relating to the preparation, adoption, and execution of the annual budgets for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (OAR 162-010-0260)
- The requirements relating to insurance and fidelity bond coverage (OAR 162-010-0270)
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies (OAR 162-010-0280)
- The statutory requirements pertaining to the investment of public funds (OAR 162-010-0300)
- The requirements pertaining to the awarding of public contracts and the construction of public improvements (OAR 162-010-0310)

Compliance with the requirements, laws, regulations, contracts, and grants is the responsibility of the District's management. Providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Additional commentary regarding our test results is listed on the following pages.

This report is intended solely for the information of the Board of Directors, management, and the Secretary of State, Division of Audits of the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature of Wipfli LLP in black ink.

Wipfli LLP

By:

Handwritten signature of Eric Volk in black ink.

Eric Volk, CPA, Oregon Municipal Auditor, Lic# 1637

September 18, 2020
Spokane, Washington

Morrow County Health District d/b/a Pioneer Memorial Hospital

Audit Comments and Disclosures Required by State Regulations

June 30, 2020 and 2019

Accounting Records

The records of the District are adequate for audit purposes.

Adequacy of Collateral Securing Depository Balance

ORS Chapter 295 provides that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 110% of the greater of:

- a. All public funds held by the bank depository or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

As of June 30, 2020 and 2019, the District did not maintain any uncollateralized deposits and, therefore, appears to be in compliance with collateral requirements.

Indebtedness

The District, during 2020 and 2019, appeared to be in compliance with statutory requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness.

Budget and Oregon Local Budget Law Compliance

The budget documents related to Morrow County Health District for 2018, 2019, and 2020 were reviewed. The District appears to have substantially complied with the legal requirements related to the preparation, adoption, and execution of the budget for the years ended June 30, 2020 and 2019, and preparation and adoption of the budget for the upcoming fiscal year.

Health districts with fiscal years beginning on or after July 1, 2002, are exempt from ORS 295.434(4), which restricted municipal corporations from making expenditures in excess of budgeted amounts.

Insurance and Fidelity Bond Coverage

The District's insurance policies appear to be in force. We are not competent, by training, to state whether the insurance coverage in force at June 30, 2020 and 2019, was adequate. The District does review insurance coverage annually with its insurance agent.

Morrow County Health District d/b/a Pioneer Memorial Hospital

Audit Comments and Disclosures Required by State Regulations (Continued)

June 30, 2020 and 2019

Programs Funded From Outside Sources

During the year ended June 30, 2020, the District complied, in all material respects, with laws, regulations, contracts, and grants pertaining to programs funded from outside sources. Additional comments may be noted in our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on pages 45 and 46 of this report.

Investment of Public Funds

The District appears to have complied with legal provisions regarding investment of public funds.

Public Contracts and Purchasing

Pursuant to ORS Chapter 279, the District has followed procedures of obtaining bids and cost estimates prior to the acquisition of property and equipment to ensure that such improvements and equipment are acquired at the lowest reasonable cost. The District was in substantial compliance with the provisions of ORS Chapter 279 during the years ended June 30, 2020 and 2019.

Federal and State Grants

We reviewed and tested, to the extent deemed appropriate, transactions and reports of the federal and state programs in which the District participates. The scope of our audit engagement did not require us to make a complete audit examination of each project, and our audit opinion on the District's basic financial statements does not cover each individual grant. The District appears to be in compliance with all applicable grant requirements.