

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

Financial Statements and Required  
Supplementary Information

Years Ended June 30, 2020 and 2019



**WIPFLI**

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

## Directory of Officials

*June 30, 2020*

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	<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

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## **Table of Contents**

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
<b>Financial Statements</b>	
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
<b>Supplementary Information</b>	
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.



Wipfli LLP

By:



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*

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### **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*

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### **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

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### 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	\$ Change	% Change	2019-2018	2019-2018
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 %
<b>Total assets</b>	<b>\$ 15,686</b>	<b>\$ 9,459</b>	<b>\$ 8,380</b>	<b>\$ 6,227</b>	<b>65.83 %</b>	<b>\$ 1,079</b>	<b>12.88 %</b>
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 %
<b>Total liabilities</b>	<b>\$ 9,765</b>	<b>\$ 3,392</b>	<b>\$ 2,766</b>	<b>\$ 6,373</b>	<b>187.88 %</b>	<b>\$ 626</b>	<b>22.63 %</b>
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 %
<b>Total net position</b>	<b>\$ 5,921</b>	<b>\$ 6,067</b>	<b>\$ 5,614</b>	<b>\$ (146)</b>	<b>-2.41 %</b>	<b>\$ 453</b>	<b>8.07 %</b>

# 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	\$ Change	% Change	2019-2018	2018-2017
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 %
<b>Total operating revenue</b>	<b>12,019</b>	<b>11,209</b>	<b>10,299</b>	<b>810</b>	<b>7.23 %</b>	<b>910</b>	<b>8.84 %</b>
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 %
<b>Total operating expenses</b>	<b>15,181</b>	<b>13,448</b>	<b>12,225</b>	<b>1,733</b>	<b>12.89 %</b>	<b>1,223</b>	<b>10.00 %</b>
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 %
<b>Total nonoperating revenue, net</b>	<b>2,732</b>	<b>2,532</b>	<b>2,347</b>	<b>200</b>	<b>7.90 %</b>	<b>185</b>	<b>7.88 %</b>
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*

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### **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*

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### **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*

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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

<u>June 30,</u>	<u>2020</u>	<u>2019</u>
<b>Current assets:</b>		
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
 <b>Noncurrent assets:</b>		
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
 <b>TOTAL ASSETS</b>	 \$ 15,685,855	 \$ 9,459,388

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

## Statements of Net Position (Continued)

June 30,	2020	2019
<b>Current liabilities:</b>		
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
 <b>Noncurrent liabilities:</b>		
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
 <b>Total liabilities</b>	 9,765,390	 3,392,392
 <b>Net position:</b>		
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
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 \$ 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
<b>Total operating revenue</b>	<b>12,018,712</b>	<b>11,209,258</b>
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
<b>Total operating expenses</b>	<b>15,181,812</b>	<b>13,448,061</b>
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
<b>Total nonoperating revenue - Net</b>	<b>2,732,143</b>	<b>2,531,103</b>
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
<b>Net position - End of year</b>	<b>\$ 5,920,465</b>	<b>\$ 6,066,996</b>

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

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2020	2019
<b>Cash flows from operating activities:</b>		
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)
<b>Net cash used in operating activities</b>	<b>(1,883,335)</b>	<b>(1,909,057)</b>
<b>Cash flows from noncapital financing activities:</b>		
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
<b>Net cash provided by noncapital financing activities</b>	<b>6,783,076</b>	<b>2,573,023</b>
<b>Cash flows from capital and related financing activities:</b>		
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)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>1,195,541</b>	<b>(888,739)</b>
<b>Cash flows provided by investing activities - Interest received</b>	<b>61,400</b>	<b>58,752</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,156,682</b>	<b>(166,021)</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>2,765,746</b>	<b>2,931,767</b>
<b>Cash and cash equivalents - End of year</b>	<b>\$ 8,922,428</b>	<b>\$ 2,765,746</b>

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

## Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	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)
<b>Noncash capital and related financing activities:</b>		
Capital assets purchases financed by capital lease obligations	\$ -	\$ 94,459

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

## **Notes to Financial Statements**

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### **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**

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### **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**

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### **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**

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### **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

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### 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**

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### **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

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### 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

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### Note 2: Cash and Cash Equivalents (Continued)

Cash and cash equivalents consisted of the following at:

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

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

<u>June 30,</u>	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
<b>Total restricted cash and cash equivalents</b>	<b>549,878</b>	<b>499,365</b>
<b>Total cash and cash equivalents</b>	<b>\$ 8,922,428</b>	<b>\$ 2,765,746</b>

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

## **Notes to Financial Statements**

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### **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

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### 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:

June 30,	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

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### Note 5: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
<b>Nondepreciable capital assets:</b>					
Land	\$ 95,450	\$ -	\$ -	\$ -	\$ 95,450
Construction in progress	87,158	481,367	(705)	(372,166)	195,654
<b>Total nondepreciable capital assets</b>	<b>182,608</b>	<b>481,367</b>	<b>(705)</b>	<b>(372,166)</b>	<b>291,104</b>
<b>Depreciable capital assets:</b>					
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
<b>Total depreciable capital assets</b>	<b>12,390,989</b>	<b>209,623</b>	<b>(217,006)</b>	<b>372,166</b>	<b>12,755,772</b>
<b>Total capital assets before depreciation</b>	<b>12,573,597</b>	<b>690,990</b>	<b>(217,711)</b>	<b>-</b>	<b>13,046,876</b>
<b>Less Accumulated depreciation</b>	<b>(8,300,772)</b>	<b>(612,363)</b>	<b>215,683</b>	<b>-</b>	<b>(8,697,452)</b>
<b>Capital assets - Net</b>	<b>\$ 4,272,825</b>	<b>\$ 78,627</b>	<b>\$ (2,028)</b>	<b>-</b>	<b>\$ 4,349,424</b>

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

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### Note 5: Capital Assets (Continued)

Capital assets consisted of the following:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
<b>Nondepreciable capital assets:</b>					
Land	\$ 85,203	\$ -	\$ -	\$ 10,247	\$ 95,450
Construction in progress	577,968	1,449,630	-	(1,940,440)	87,158
<b>Total nondepreciable capital assets</b>	<b>663,171</b>	<b>1,449,630</b>	<b>-</b>	<b>(1,930,193)</b>	<b>182,608</b>
<b>Depreciable capital assets:</b>					
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
<b>Total depreciable capital assets</b>	<b>10,382,067</b>	<b>132,716</b>	<b>(53,987)</b>	<b>1,930,193</b>	<b>12,390,989</b>
<b>Total capital assets before depreciation</b>	<b>11,045,238</b>	<b>1,582,346</b>	<b>(53,987)</b>	<b>-</b>	<b>12,573,597</b>
<b>Less Accumulated depreciation</b>	<b>(7,860,327)</b>	<b>(494,227)</b>	<b>53,782</b>	<b>-</b>	<b>(8,300,772)</b>
<b>Capital assets - Net</b>	<b>\$ 3,184,911</b>	<b>\$ 1,088,119</b>	<b>\$ (205)</b>	<b>-</b>	<b>\$ 4,272,825</b>

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

## Notes to Financial Statements

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### 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
<b>Long-term debt:</b>					
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	
<b>Total direct borrowings and placements</b>	<b>2,333,410</b>	<b>282,600</b>	<b>(322,400)</b>	<b>2,293,610</b>	<b>361,758</b>
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	- 1,788,357	- 1,788,357	
<b>Total long-term debt</b>	<b>\$ 2,427,869</b>	<b>\$ 2,070,957</b>	<b>\$ (369,629)</b>	<b>\$ 4,129,197</b>	<b>\$ 408,988</b>

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

## Notes to Financial Statements

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### **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
<b>Long-term debt:</b>					
<b>Direct borrowings and placements</b>					
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**

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### **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

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### 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

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### **Note 6: Long-Term Debt Obligations (Continued)**

Equipment under capital lease obligations consisted of the following:

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

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

<u>June 30,</u>	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
<b>Totals</b>	<b>\$ 4,081,967</b>	<b>\$ 605,252</b>	<b>\$ 4,687,219</b>

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

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

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

## Notes to Financial Statements

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### 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**

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### **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

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### 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**

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### **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**

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

## Schedule of Patient Service Revenue

Year Ended June 30, 2020

	Hospital		Clinics			Ambulances			Home		Hospice	Total
	Inpatient	Outpatient	Heppner	Irrigon	Ione	Heppner	Boardman	Irrigon	Ione	Health		
<b>Daily patient services:</b>												
Medical - Surgical	\$ 773,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 773,107
Swing bed program	\$ 690,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690,761
<b>Total daily patient services</b>	<b>1,463,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,463,868</b>
<b>Ancillary services:</b>												
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
<b>Total ancillary services</b>	<b>1,084,764</b>	<b>5,761,478</b>	<b>1,148,307</b>	<b>1,116,193</b>	<b>213,215</b>	<b>426,839</b>	<b>490,161</b>	<b>326,241</b>	<b>4,790</b>	<b>422,758</b>	<b>432,666</b>	<b>11,427,412</b>
<b>Gross patient revenue</b>	<b>2,548,632</b>	<b>5,761,478</b>	<b>1,148,307</b>	<b>1,116,193</b>	<b>213,215</b>	<b>426,839</b>	<b>490,161</b>	<b>326,241</b>	<b>4,790</b>	<b>422,758</b>	<b>432,666</b>	<b>12,891,280</b>
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)
<b>Total revenue deductions</b>	<b>1,205,605</b>	<b>(1,994,289)</b>	<b>(150,657)</b>	<b>(117,190)</b>	<b>(59,515)</b>	<b>13,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(136,159)</b>	<b>(8,471)</b>	<b>(1,246,916)</b>
<b>Net patient service revenue</b>	<b>\$ 3,754,237</b>	<b>\$ 3,767,189</b>	<b>\$ 997,650</b>	<b>\$ 999,003</b>	<b>\$ 153,700</b>	<b>\$ 440,599</b>	<b>\$ 490,161</b>	<b>\$ 326,241</b>	<b>\$ 4,790</b>	<b>\$ 286,599</b>	<b>\$ 424,195</b>	<b>\$ 11,644,364</b>

# 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)
<b>Resources:</b>					
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
<b>Total resources</b>	<b>\$ 16,642,581</b>	<b>\$ -</b>	<b>\$ 16,642,581</b>	<b>\$ 16,923,557</b>	<b>\$ 280,976</b>
<b>Expenditures:</b>					
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)
<b>Total expenditures</b>	<b>\$ 17,073,455</b>	<b>\$ -</b>	<b>\$ 17,073,455</b>	<b>\$ 15,731,813</b>	<b>\$ 1,341,642</b>
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						Property Taxes Receivable	
	Taxes Receivable July 1, 2019	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	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	
<b>Totals</b>	<b>\$ 72,691</b>	<b>\$ 2,194,480</b>	<b>\$ (60,702)</b>	<b>\$ (1,943)</b>	<b>-</b>	<b>\$ (2,129,531)</b>	<b>\$ 74,995</b>	

# 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	Bank of Eastern Oregon USDA Hospital Remodel		GEODC/Morrow County Remodel Loan		GEODC/Morrow County Irrigon Clinic Remodel		Bank of Eastern Oregon 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 Omnicell & 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.

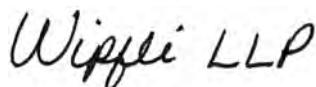
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

The logo consists of the word "Wipfli" written in a cursive, handwritten-style font, followed by "LLP" in a smaller, uppercase, sans-serif font.

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:

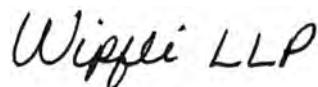
- The accounting records and related internal control structure (OAR 162-010-0230)
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds (OAR 162-010-0240)
- The requirements relating to debt, including the limitation of debt, liquidation of debt in the 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.

The logo consists of the word "Wipfli" in a stylized, italicized font, with "LLP" in a smaller, regular font to its right.

Wipfli LLP

By:

A handwritten signature in cursive ink that appears to read "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**

## **Audit Comments and Disclosures Required by State Regulations**

June 30, 2020 and 2019

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### **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

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### **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.