

# **Curry Health District**

## **Basic Financial Statements and Independent Auditors' Reports**

**June 30, 2022 and 2021**



**DINGUS | ZARECOR & ASSOCIATES<sup>PLLC</sup>**  
Certified Public Accountants

**Curry Health District**  
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## **INTRODUCTORY SECTION**

**Curry Health District  
Governing Board and Principal Employee  
June 30, 2022 and 2021**

Members of the Board of Directors as of July 1, 2021:

Maarten Van Otterloo	Board Chair
Karen Kennedy	Vice Chair
Joel Hensley	Secretary
Derral Hawthorne	Board Member
Bryan Grummon	Treasurer

Curry Health District has designated the following registered agent and office as of July 1, 2021.

Registered agent	Virginia Williams
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The above individuals can be contacted at the address below:

94220 Fourth St.  
Gold Beach, Oregon 97444

## **FINANCIAL SECTION**



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Curry Health District  
Gold Beach, Oregon

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Curry Health District (the District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2022 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of resources and expenditures – budget vs. actual and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended June 30, 2022. We issued a similar report for the year ended June 30, 2021, dated November 10, 2021. The purpose of this 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. This 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.

## **Other Reporting Required by Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 12, 2022, 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
December 12, 2022

**Curry Health District  
Management's Discussion and Analysis  
June 30, 2022 and 2021**

This "Discussion and Analysis" provides an overview of the financial activities of Curry Health District (the District) for the fiscal years ended June 30, 2022, 2021, and 2020. It should be read in conjunction with the District's financial statements that follow.

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

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

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

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

**The Statement of Cash Flows**

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

**The District's Services**

In fiscal year 2022, the District operated several healthcare facilities in Curry County, Oregon:

- A Rural Health Clinic in Port Orford – with 1,757 clinic and 664 ancillary visits
- Curry General Hospital in Gold Beach, a critical access hospital – with 4,148 emergency room visits, 492 hospital admissions, 6,666 clinic visits, 29,956 ancillary service (radiology, lab, therapy) visits, and 1,762 surgical procedures
- Curry Medical Center (CMC) in Brookings – with 27,662 clinic visits, 10,528 emergency room visits, and 26,977 ancillary service visits
- The District brought on one new employed podiatry provider while no providers left the District.
- In fiscal year 2022, 39 percent of the District's cash revenue was from traditional Medicare, 37 percent from commercial insurers, 21 percent Medicaid (OMAP), and 3 percent from patients.

**Curry Health District  
Management's Discussion and Analysis (Continued)  
June 30, 2022 and 2021**

**Significant Events and Initiatives**

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

- The District's emergency room in Brookings (the state's first/only remote Emergency Room) experienced \$10,178,993 in gross revenue, accounting for the majority of the gross revenue increase from FY21 to FY22.
- The following Medicare cost report adjustments took place during the fiscal year:

\$324,000	2022 Interim Cost Report
397,000	2021 Cost Report Lump Sum Adjustment
<u>432,175</u>	2021 Cost Report Tentative Settlement
\$1,153,175	Net amount received in cost report adjustments throughout fiscal year
- The following grants were received and/or recognized as revenue throughout the fiscal year:

\$ 1,627,443	HHS Provider Relief Funds (COVID)
281,747	Oregon Office of Rural Health – OHSU (COVID and Non-COVID)
<u>40,546</u>	Miscellaneous Sources (COVID and Non-COVID)
\$1,949,736	
- The District issued \$1,000 bonuses to each employee in December recognize their contribution to the organization's accomplishments.

Below are several initiatives in various stages of progress which will have financial impacts in future years. Each initiative will require varying amounts of manpower and management focus throughout their implementations.

- Accountable Care Organization (ACO) Membership
- Electronic Medical Record (EMR) Change from CPSI to Epic
- Human Resource Information System (HRIS) Change (required before converting EMR to Epic)
- Enterprise Resource Planning (ERP) Change (required before converting EMR to Epic)
- CHN Master Facilities Planning
- Work Force Housing

**Risks**

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

**Curry Health District  
Management's Discussion and Analysis (Continued)  
June 30, 2022 and 2021**

**Risks (continued):**

*Industry*

- The District is heavily dependent on reimbursement by government payors, and there is significant uncertainty from year to year regarding the amount and method of reimbursement from these sources.
- Recruitment of physicians, nurses, and other providers is becoming increasingly difficult, and there is a widely acknowledged shortage for which no end seems in sight.
- The industry is faced with workforce shortages, significant increases in expenses due to inflation and wages and the supply chain continues to be challenging.
- The COVID-19 pandemic has created economic uncertainties due to high fluctuations in patient demand; increased COVID responsibilities related to screening, vaccinations, and patient isolation; a reduction in nursing, radiology, laboratory, and therapies professionals; and a higher need to use employment agencies for those critical staffing areas. All these factors increase the cost to deliver care to the communities we serve.

*Local Conditions*

- Curry County has a small population, largely retired, with modest to low average disposable income. It is highly sensitive to macroeconomic troubles.
- The housing market in Curry County further impacts its ability to recruit and retain a stable full-time workforce.
- Historically, there has been a relatively large “outmigration” of patients leaving the local area for healthcare services. A primary business goal is to reduce and minimize that outmigration.

*The District's Financial Condition*

- The District's cash position and current ratio were significantly strengthened during the fiscal year. Higher than budgeted gross revenue and government and other grants contributed to a very favorable operating and net margin, as well as a significant increase in cash reserves. This new cash position will allow the District to responsibly pursue strategic opportunities as well as implement procedures/programs to improve patient and employee satisfaction.

**Curry Health District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2022 and 2021**

**Table 1: Statements of Net Position:**

	2022	2021	2020
<i>Assets</i>			
Current assets	\$ 38,028,741	\$ 30,924,107	\$ 22,119,353
Capital assets, net	37,734,065	38,318,927	40,660,224
Other noncurrent assets	1,453,917	856,172	759,527
<b>Total assets</b>	<b>\$ 77,216,723</b>	<b>\$ 70,099,206</b>	<b>\$ 63,539,104</b>
<i>Liabilities</i>			
Current liabilities	\$ 7,438,882	\$ 6,251,010	\$ 13,116,324
Noncurrent liabilities	36,796,353	42,114,489	43,564,817
<b>Total liabilities</b>	<b>44,235,235</b>	<b>48,365,499</b>	<b>56,681,141</b>
<i>Net position</i>			
Net investment in capital assets	(940,851)	(852,785)	4,851
Restricted	953,917	856,172	759,527
Unrestricted	32,968,422	21,730,320	6,093,585
<b>Total net position</b>	<b>32,981,488</b>	<b>21,733,707</b>	<b>6,857,963</b>
<b>Total liabilities and net position</b>	<b>\$ 77,216,723</b>	<b>\$ 70,099,206</b>	<b>\$ 63,539,104</b>

**Curry Health District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2022 and 2021**

**Table 2: Operating Results and Changes in Net Position**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<i>Operating revenues</i>			
Net patient service revenue	\$ 59,893,929	\$ 53,733,401	\$ 47,461,499
Other operating revenue	658,900	228,742	416,454
Total operating revenues	60,552,829	53,962,143	47,877,953
<i>Operating expenses</i>			
Salaries, wages, and benefits	28,677,425	26,358,111	26,901,771
Professional fees	13,379,393	9,640,494	11,182,040
Depreciation and amortization	4,211,193	3,552,904	3,721,478
Supplies and other operating expenses	8,957,679	8,852,861	8,991,428
Total operating expenses	55,225,690	48,404,370	50,796,717
<i>Operating gain (loss)</i>	5,327,139	5,557,773	(2,918,764)
<i>Nonoperating revenues (expenses)</i>			
Taxation for bond principal and interest	595,924	568,117	608,391
Taxation for maintenance and operations	846,006	795,062	814,807
CARES Act Provider Relief Fund	1,627,442	4,998,174	11,570
COVID-19 grants	-	2,501,621	-
Interest income	118,736	129,365	97,269
Interest expense	(1,757,909)	(1,775,078)	(1,834,011)
Gain (loss) on disposal of capital assets	17,500	(3,193)	(4,580)
Other, net	322,303	2,103,903	278,625
Total nonoperating revenues (expenses), net	1,770,002	9,317,971	(27,929)
Change in net position before capital asset impairment, net of insurance settlement and gain on forgiveness of Paycheck Protection Program loan	7,097,141	14,875,744	(2,946,693)
Capital asset impairment, net of insurance settlement	(254,660)	-	-
Gain on forgiveness of Paycheck Protection Program loan	4,405,300	-	-
Change in net position	11,247,781	14,875,744	(2,946,693)
Net position, beginning of year	21,733,707	6,857,963	9,804,656
Net position, end of year	\$ 32,981,488	\$ 21,733,707	\$ 6,857,963

**Contacting the District's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

**Curry Health District**  
**Statements of Net Position**  
**June 30, 2022 and 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,895,748	\$ 3,553,786
Investments	23,285,070	17,315,471
Receivables:		
Patient accounts, net	9,998,557	8,704,889
Estimated third-party payor settlements	771,000	323,000
Property taxes	136,550	146,203
Other	14,575	14,575
Inventories	660,535	603,909
Prepaid expenses	266,706	262,274
Total current assets	<b>38,028,741</b>	<b>30,924,107</b>
<i>Noncurrent assets</i>		
Restricted investments - Certificates of Participation, Series 2010A reserve	565,917	565,172
Restricted investments - USDA loan reserve	388,000	291,000
Investments designated by Board for electronic medical record system	500,000	-
Capital and lease right-of-use assets net of accumulated depreciation and amortization	37,734,065	38,318,927
Total noncurrent assets	<b>39,187,982</b>	<b>39,175,099</b>
<b>Total assets</b>	<b>\$ 77,216,723</b>	<b>\$ 70,099,206</b>
<b>LIABILITIES AND NET POSITION</b>	<b>2022</b>	<b>2021</b>
<i>Current liabilities</i>		
Accounts payable	\$ 3,085,699	\$ 1,995,335
Accrued compensation and related liabilities	2,113,969	2,419,694
Estimated third-party payor settlements	49,549	-
Accrued interest payable	311,102	323,997
Current maturities of long-term debt	1,266,398	1,462,523
Current maturities of lease liabilities	612,165	-
Unearned CARES Act Provider Relief Fund	-	49,461
Total current liabilities	<b>7,438,882</b>	<b>6,251,010</b>
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	36,454,516	37,709,189
Lease liabilities, net of current maturities	341,837	-
Paycheck Protection Program loan	-	4,405,300
Total noncurrent liabilities	<b>36,796,353</b>	<b>42,114,489</b>
<b>Total liabilities</b>	<b>44,235,235</b>	<b>48,365,499</b>
<i>Net position</i>		
Net investment in capital assets	(940,851)	(852,785)
Restricted	953,917	856,172
Unrestricted	32,968,422	21,730,320
Total net position	<b>32,981,488</b>	<b>21,733,707</b>
<b>Total liabilities and net position</b>	<b>\$ 77,216,723</b>	<b>\$ 70,099,206</b>

See accompanying notes to basic financial statements.

**Curry Health District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
<i>Operating revenues</i>		
Net patient service revenue	\$ 59,893,929	\$ 53,733,401
Other	658,900	228,742
Total operating revenues	60,552,829	53,962,143
<i>Operating expenses</i>		
Salaries and wages	23,865,989	21,743,944
Employee benefits	4,811,436	4,614,167
Professional fees and purchased services	13,379,393	9,640,494
Supplies	5,150,872	4,619,163
Utilities	786,054	743,046
Repairs and maintenance	1,099,323	1,119,217
Depreciation and amortization	4,211,193	3,552,904
Rent	323,230	1,175,182
Insurance	637,778	491,851
Other	960,422	704,402
Total operating expenses	55,225,690	48,404,370
<i>Operating income</i>	\$ 5,327,139	\$ 5,557,773
<i>Nonoperating revenues (expenses)</i>		
Taxation for bond principal and interest	\$ 595,924	\$ 568,117
Taxation for maintenance and operations	846,006	795,062
Grants	322,303	2,103,903
CARES Act Provider Relief Fund	1,627,442	4,998,174
COVID-19 grants	-	2,501,621
Interest income	118,736	129,365
Interest expense	(1,757,909)	(1,775,078)
Gain (loss) on disposal of capital assets	17,500	(3,193)
Total nonoperating revenues, net	1,770,002	9,317,971
Change in net position before capital asset impairment, net of insurance settlement and gain on forgiveness of Paycheck Protection Program loan	7,097,141	14,875,744
Capital asset impairment, net of insurance settlement	(254,660)	-
Gain on forgiveness of Paycheck Protection Program loan	4,405,300	-
Change in net position	11,247,781	14,875,744
Net position, beginning of year	21,733,707	6,857,963
<b>Net position, end of year</b>	<b>\$ 32,981,488</b>	<b>\$ 21,733,707</b>

See accompanying notes to basic financial statements.

**Curry Health District**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 58,201,810	\$ 52,489,633
Receipts from other revenue	658,900	261,113
Payments to or on behalf of employees	(28,983,150)	(25,867,102)
Payments to suppliers and contractors	(21,307,766)	(19,858,508)
Net cash from operating activities	8,569,794	7,025,136
<i>Cash flows from noncapital financing activities</i>		
Grants received	500	2,103,902
Property taxes for maintenance and operations	855,659	841,949
COVID-19 grant proceeds	301,557	2,501,621
CARES Act Provider Relief Fund proceeds	1,577,981	-
Net cash from noncapital financing activities	2,735,697	5,447,472
<i>Cash flows from capital and related financing activities</i>		
Property taxes for bond principal and interest	595,924	568,117
Principal paid on long-term debt and lease liability	(2,400,273)	(1,483,661)
Principal paid on short-term debt	-	(1,200,000)
Interest paid	(1,770,804)	(1,794,887)
Purchase of capital assets	(2,274,818)	(1,222,528)
Insurance settlement received	314,804	-
Capital grant	20,246	-
Proceeds from sale of assets	-	7,728
Net cash from capital and related financing activities	(5,514,921)	(5,125,231)
<i>Cash flows from investing activities</i>		
Interest received	118,736	129,365
Purchase of investments	(6,567,344)	(5,338,072)
Net cash from investing activities	(6,448,608)	(5,208,707)
Net change in cash and cash equivalents	(658,038)	2,138,670
Cash and cash equivalents, beginning of year	3,553,786	1,415,116
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,895,748</b>	<b>\$ 3,553,786</b>

*See accompanying notes to basic financial statements.*

**Curry Health District**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
<b><i>Reconciliation of Operating Income to Net Cash from Operating Activities</i></b>		
Operating income	\$ 5,327,139	\$ 5,557,773
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	4,211,193	3,552,904
Provision for bad debts	1,649,556	1,687,482
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(2,943,224)	(3,489,250)
Estimated third-party payor settlements	(448,000)	558,000
Other	-	32,371
Inventories	(56,626)	(217,688)
Prepaid expenses	(4,432)	(56,459)
Increase (decrease) in liabilities:		
Accounts payable	1,090,364	(1,091,006)
Accrued compensation and related liabilities	(305,725)	491,009
Estimated third-party payor settlements	49,549	-
<b>Net cash from operating activities</b>	<b>\$ 8,569,794</b>	<b>\$ 7,025,136</b>

***Noncash Capital Financing Activities***

During the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which resulted in recognizing 20 new right-of-use lease assets totaling \$1,903,477.

During the year ended June 30, 2022, the District received \$23,500 in credit towards the purchase of equipment from the trade in of existing equipment.

*See accompanying notes to basic financial statements.*

**Curry Health District**  
**Notes to Basic Financial Statements**  
**Years Ended June 30, 2022 and 2021**

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

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

**a. Reporting Entity**

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

The District was incorporated as a municipal corporation on October 17, 1983, and operates under the laws of the state of Oregon for Oregon Health Districts as provided by ORS 440.315-440.410. It is governed by an elected five-member board.

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

**b. Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

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

***Net position*** – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

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

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

***Grants and contributions*** – From time to time, the District receives grants from government entities and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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

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

***Reclassifications*** – Certain items included in the accompanying 2021 financial statements have been reclassified to conform to the 2022 presentation, with no effect on the previously reported change in net position.

***Subsequent events*** – The District has evaluated subsequent events through December 12, 2022, the date on which the financial statements were available to be issued.

***Upcoming accounting standards pronouncements*** – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District’s year ending June 30, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

***Changes in accounting principle*** – In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee’s right to use the leased asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The District adopted Statement No. 87 during the year ended June 30, 2022. See Notes 6 and 7 for additional information on the leases and related right-to-use assets recorded by the District.

When the District adopted GASB No. 87, *Leases*, the District elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. Adoption of the standard required the District to recognize lease liabilities and right-of-use assets of \$1,903,477 as of July 1, 2021. The adoption had no material impact on the statement of revenues, expenses, and changes in net position.

The District adopted GASB No. 87 during the year ended June 30, 2022. The District did not restate the financial statements for the year ended June 30, 2021, for GASB No. 87 due to insufficient resources available to do so and due to management’s determination that the restatement would not provide significant benefit to the financial statement users.

**2. Bank Deposits and Investments:**

As of June 30, 2022 and 2021, the District had deposits invested in various financial institutions in the form of operating cash, cash equivalents, and certificates of deposits in the amounts of \$3,350,460 and \$4,176,357, respectively. The District is required by Oregon Revised Statutes (ORS) Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain “qualified” financial institutions. As of and for the years ended June 30, 2022 and 2021, all of the District’s deposits in financial institutions in excess of FDIC coverage were maintained at “qualified” financial institutions.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**2. Bank Deposits and Investments (continued):**

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

**3. Investments:**

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

2022						Investment Ratings
Fair Value	Investment Maturities in Years					
	Less than 1	1 to 5	Over 5			
Investment in Local Government Investment Pool	\$ 24,048,033	\$ 24,048,033	\$ -	\$ -	Not applicable	
Certificates of deposit	125,037	-	125,037	-	Not applicable	
Short-term Money Market	565,917	565,917	-	-	Not applicable	
Total investments	\$ 24,738,987	\$ 24,613,950	\$ 125,037	\$ -		
Investments included in current assets	\$ 23,285,070					
Investments included in noncurrent assets	1,453,917					
Total investments	\$ 24,738,987					
2021						Investment Ratings
Fair Value	Investment Maturities in Years					
	Less than 1	1 to 5	Over 5			
Investment in Local Government Investment Pool	\$ 17,482,806	\$ 17,482,806	\$ -	\$ -	Not applicable	
Certificates of deposit	123,665	-	123,665	-	Not applicable	
Short-term Money Market	565,172	565,172	-	-	Not applicable	
Total investments	\$ 18,171,643	\$ 18,047,978	\$ 123,665	\$ -		
Investments included in current assets	\$ 17,315,471					
Investments included in noncurrent assets	856,172					
Total investments	\$ 18,171,643					

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

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**3. Investments (continued):**

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2022:

- Certificates of deposit of \$125,037 are valued using observable inputs (Level 2).

The District had the following recurring fair value measurements as of June 30, 2021:

- Certificates of deposit of \$123,665 are valued using observable inputs (Level 2).

**Local Government Investment Pool** – The investment in the Local Government Investment Pool (LGIP) is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council, with advice from the Treasurer and Oregon Short-Term Fund Board, adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2022, the policy limited investments to Grade “A” investments including but not limited to U.S. Treasury, U.S. Agencies, corporate bonds, commercial paper, and foreign governments. A portion of the assets invested in the LGIP at June 30, 2022 and 2021, are included in cash and cash equivalents on the statements of net position.

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

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

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

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

**Restricted investments** – Restricted investments as of June 30, 2022 and 2021, were held by a trustee under bond indenture agreement, and held by a trustee for the USDA debt reserve. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income.

**Board designated assets** – Designated investments as of June 30, 2022, were designated by the board for the acquisition of a new electronic medical record system. The board may use these investments for other uses as its discretion. There were no designated investments as of June 30, 2021.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**4. Patient Accounts Receivable:**

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

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

	<b>2022</b>	<b>2021</b>
Receivables from patients and other insurance carriers	\$ 6,399,674	\$ 5,040,888
Receivables from Medicare	2,393,346	2,783,907
Receivables from Medicaid	2,013,832	1,589,393
Total patient accounts receivable	10,806,852	9,414,188
Less allowance for uncollectible accounts	808,295	709,299
<b>Patient accounts receivable, net</b>	<b>\$ 9,998,557</b>	<b>\$ 8,704,889</b>

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**5. Property Taxes:**

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

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

**6. Capital Assets and Lease Right-of-Use Assets:**

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

Land improvements	5-25 years
Buildings and improvements	5-40 years
Fixed equipment	3-30 years
Movable equipment	3-20 years
Lease right-of-use assets	2-5 years

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

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**6. Capital Assets and Lease Right-of-Use Assets (continued):**

Capital asset and lease right-of-use activity was as follows:

	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 2,699,194	\$ -	\$ -	\$ -	\$ 2,699,194
Construction in progress	441,518	1,237,619	(61,336)	(397,656)	1,220,145
Total capital assets not being depreciated or amortized	3,140,712	1,237,619	(61,336)	(397,656)	3,919,339
<i>Capital assets being depreciated or amortized</i>					
Land improvements	3,341,559	-	-	21,622	3,363,181
Buildings and improvements	30,111,189	37,233	(787,226)	230,253	29,591,449
Fixed equipment	11,983,732	128,072	(6,880)	-	12,104,924
Movable equipment	13,626,677	956,782	(750,670)	(992,046)	12,840,743
Lease right-of-use assets - Building	-	329,774	-	-	329,774
Lease right-of-use assets - Equipment	-	1,573,703	-	1,137,827	2,711,530
Total capital assets being depreciated or amortized	59,063,157	3,025,564	(1,544,776)	397,656	60,941,601
<i>Less accumulated depreciation and amortization for:</i>					
Land improvements	625,136	195,805	-	-	820,941
Buildings and improvements	9,240,345	1,450,481	(217,761)	-	10,473,065
Fixed equipment	3,352,329	655,828	(6,880)	-	4,001,277
Movable equipment	10,667,132	947,806	(744,619)	(898,083)	9,972,236
Lease right-of-use assets - Building	-	90,175	-	-	90,175
Lease right-of-use assets - Equipment	-	871,098	-	898,083	1,769,181
Total accumulated depreciation or amortization	23,884,942	4,211,193	(969,260)	-	27,126,875
Total capital assets being depreciated and amortized, net	35,178,215	(1,185,629)	(575,516)	397,656	33,814,726
Capital assets, net	\$ 38,318,927	\$ 51,990	\$ (636,852)	\$ -	\$ 37,734,065

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**6. Capital Assets and Lease Right-of-Use Assets (continued):**

	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 2,699,194	\$ -	\$ -	\$ -	\$ 2,699,194
Construction in progress	91,234	350,284	-	-	441,518
Total capital assets not being depreciated	2,790,428	350,284	-	-	3,140,712
<i>Capital assets being depreciated</i>					
Land improvements	3,334,559	7,000	-	-	3,341,559
Buildings and improvements	30,078,409	40,585	(7,805)	-	30,111,189
Fixed equipment	11,983,732	-	-	-	11,983,732
Movable equipment	13,276,802	824,659	(474,784)	-	13,626,677
Total capital assets being depreciated	58,673,502	872,244	(482,589)	-	59,063,157
<i>Less accumulated depreciation for:</i>					
Land improvements	430,650	194,486	-	-	625,136
Buildings and improvements	7,722,451	1,525,157	(7,263)	-	9,240,345
Fixed equipment	2,696,621	655,708	-	-	3,352,329
Movable equipment	9,953,984	1,177,553	(464,405)	-	10,667,132
Total accumulated depreciation	20,803,706	3,552,904	(471,668)	-	23,884,942
Total capital assets being depreciated, net	37,869,796	(2,680,660)	(10,921)	-	35,178,215
Capital assets, net	\$ 40,660,224	\$ (2,330,376)	\$ (10,921)	\$ -	\$ 38,318,927

Construction in progress at June 30, 2022, consisted of a roof and drain assessment and nuclear medicine remodel. These projects were completed in July 2022 and the total costs to complete these projects were approximately \$327,000 and \$971,000, respectively.

During the year ended June 30, 2022, the District disposed of the roof due to damage. The net value of the roof is estimated at \$569,464. The District received \$310,610 of insurance settlement funds to cover the cost of the roof disposal. The loss of roof impairment is estimated at \$254,660.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**7. Long-term Debt and Capital Lease Obligations:**

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

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
<i>Bonds and notes payable</i>					
Certificates of Participation, Series 2010A	\$ 9,915,000	\$ -	\$ (460,000)	\$ 9,455,000	\$ 490,000
Series 2010A discount	(101,571)	-	11,724	(89,847)	-
GO bonds, Series 2015	8,335,000	-	(310,000)	8,025,000	325,000
USDA loan	20,418,169	-	(264,705)	20,153,464	274,101
Siemens MRI	474,585	-	(297,288)	177,297	177,297
Celtic #4 lease liability	-	579,399	(373,941)	205,458	205,458
Other lease liabilities	130,529	1,324,110	(706,095)	748,544	406,707
Paycheck Protection Program	4,405,300	-	(4,405,300)	-	-
<b>Total noncurrent liabilities</b>	<b>\$ 43,577,012</b>	<b>\$ 1,903,509</b>	<b>\$ (6,805,605)</b>	<b>\$ 38,674,916</b>	<b>\$ 1,878,563</b>

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
<i>Bonds and notes payable</i>					
Certificates of Participation, Series 2010A	\$ 10,350,000	\$ -	\$ (435,000)	\$ 9,915,000	\$ 460,000
Series 2010A discount	(113,767)	-	12,196	(101,571)	-
GO bonds, Series 2015	8,635,000	-	(300,000)	8,335,000	310,000
USDA loan	20,673,806	-	(255,637)	20,418,169	264,706
Paycheck Protection Program	4,405,300	-	-	4,405,300	-
<b>Total bonds and notes payable</b>	<b>43,950,339</b>	<b>-</b>	<b>(978,441)</b>	<b>42,971,898</b>	<b>1,034,706</b>

<i>Capital lease obligations</i>					
Celtic Leasing	33,728	-	(33,728)	-	-
GE Radiography and Fluoroscopy	55,619	-	(31,679)	23,940	23,940
Siemens MRI	763,674	-	(289,089)	474,585	297,288
Siemens X-Ray	56,233	-	(31,639)	24,594	24,594
Siemens Radiography and Fluoroscopy	201,080	-	(119,085)	81,995	81,995
<b>Total capital lease obligations</b>	<b>1,110,334</b>	<b>-</b>	<b>(505,220)</b>	<b>605,114</b>	<b>427,817</b>
<b>Total long-term debt and capital lease obligations</b>	<b>\$ 45,060,673</b>	<b>\$ -</b>	<b>\$ (1,483,661)</b>	<b>\$ 43,577,012</b>	<b>\$ 1,462,523</b>

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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

***Certificates of Participation, Series 2010A*** – In March 2010, the District issued the Certificates of Participation, Series 2010A in the amount of \$13,495,000, net of an original issue discount of \$262,874. The proceeds from the Certificates of Participation, Series 2010A were used to build and provide equipment for a medical office building to replace the District's former clinic in Brookings, Oregon – Curry Medical Center (CMC). The Certificates of Participation, Series 2010A are secured by the financed assets pursuant to a deed of trust and require annual principal payments each January 1 ranging from \$460,000 to \$1,040,000. The Certificates of Participation, Series 2010A bear interest at rates ranging from 6.20 percent to 7 percent, payable semiannually each January 1 and July 1, through January 1, 2035. The Certificates of Participation, Series 2010A, maturing on or after January 1, 2021, are subject to optional prepayment on January 1, 2020, and on each July 1 and January 1 thereafter, at a prepayment price of 100 percent of the principal amount of such Certificates of Participation, Series 2010A, to be redeemed, plus accrued interest to the date of prepayment. Under the terms of the Certificates of Participation, Series 2010A agreement, the District is required to maintain certain deposits with a trustee. Such deposits are included with restricted investments in the financial statements. The agreement also requires that the District satisfy certain levels of insurance.

***General Obligation Bond, Series 2015*** – In August 2015, the District issued the GO Bond, Series 2015 in the amount of \$10,000,000. The proceeds from the GO Bond, Series 2015 were used in the construction of a critical access facility. The GO Bond, Series 2015 bears interest at 3.63 percent and requires principal payments ranging from \$310,000 to \$335,000 through June 2025. The GO Bond, Series 2015 is subject to mandatory tender for purchase by the District, at a purchase price equal to the outstanding principal balance plus accrued interest to the date of purchase. The dates of purchase are June 15, 2025 and June 15, 2035, if the District receives a waiver at the first purchase date. Outstanding principal balances as of the purchase dates are scheduled to be \$7,015,000 and \$2,770,000, respectively. If waivers are granted for both purchase dates, principal payments will range from \$360,000 to \$595,000 through June 2040 with the interest rate adjusting as disclosed in the GO Bond, Series 2015 agreement.

***USDA loan*** – In September 2015, the District entered into an agreement with the USDA for the District to obtain financing for the construction of the critical access facility. The USDA loan will be repaid over 40 years with an interest rate ranging from 3.5 percent to 3.625 percent. The loan matures in April 2059. The loan is payable in monthly payments of \$81,463, including interest. The loan is secured by all real property, fixtures, and equipment acquired and constructed as part of the construction project.

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

The District applied for PPP loan forgiveness in August 2021, and forgiveness was approved. The loan forgiveness is recorded as a Gain on Forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position.

***Siemens MRI Loan*** – In 2015, the District entered into a financing agreement with Siemens Public, Inc., for an MRI in the amount of \$1,948,059. This note is due in monthly installments of \$25,585.07, including interest at 2.8 percent, through January 2023. The loan is secured by medical equipment.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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

***Celtic #4 lease liability*** – The District recognized Celtic #4 lease liability in the amount of \$579,399 with the implementation of GASB No. 87, noted in Note 1. This is comprised of equipment assets that have a 5 percent interest rate and \$33,478 monthly payment amounts.

***Other lease liabilities*** – The District recognized other lease liabilities in the amount of \$1,324,110 with the implementation of GASB No. 87, noted in Note 1. This is comprised of both equipment and building assets that have interest rates and payment amounts that are varied.

Scheduled principal and interest payments are as follows:

Years Ending June 30,	Bonds and Notes Payable		
	Principal	Interest	Total
2023	\$ 1,266,398	\$ 1,614,636	\$ 2,881,034
2024	1,138,830	1,562,048	2,700,878
2025	1,193,906	1,508,613	2,702,519
2026	1,249,343	1,452,471	2,701,814
2027	1,310,151	1,390,570	2,700,721
2028-2032	7,596,876	5,901,387	13,498,263
2033-2037	7,491,181	3,794,086	11,285,267
2038-2042	4,204,550	2,529,736	6,734,286
2043-2047	2,959,260	1,928,520	4,887,780
2048-2052	3,524,941	1,362,839	4,887,780
2053-2057	4,199,034	688,747	4,887,781
2058-2059	1,676,291	58,839	1,735,130
<b>Total</b>	<b>\$ 37,810,761</b>	<b>\$ 23,792,492</b>	<b>\$ 61,603,253</b>

Years Ending June 30,	Lease Liabilities		
	Principal	Interest	Total
2023	\$ 612,165	\$ 33,884	\$ 646,049
2024	178,103	12,783	190,886
2025	111,428	5,047	116,475
2026	52,306	1,361	53,667
<b>Total</b>	<b>\$ 954,002</b>	<b>\$ 53,075</b>	<b>\$ 1,007,077</b>

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**8. Defined Contribution Retirement Plan:**

Eligible employees may make elective contributions to the District's defined contribution retirement plan, Curry Health District 403(b) Plan (the Plan). The District made matching contributions of approximately \$217,000 and \$99,000 for the years ended June 30, 2022 and 2021, respectively. Participants are immediately vested in their own contributions to the Plan and vest in the District's contributions at a rate of 20 percent per year over five years of service. The Plan is administered by the District and can be amended or terminated by the District at any time. Forfeitures of nonvested contributions are used to reduce plan expenses.

Participant contributions to the Plan during the years ended June 30, 2022 and 2021, were approximately \$990,000 and \$414,000, respectively.

**9. Net Patient Service Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. The District's provisions for bad debts and writeoffs have not changed significantly from prior years. The District has not changed its charity care or uninsured discount policies during the years ended June 30, 2022 or 2021. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<b>2022</b>	<b>2021</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 24,163,963	\$ 22,931,055
Medicaid	12,754,213	10,495,948
Other third-party payors	23,096,901	20,880,982
Patients	1,970,109	1,534,641
	<b>61,985,186</b>	<b>55,842,626</b>
Less:		
Charity care	441,701	421,743
Provision for bad debts	1,649,556	1,687,482
<b>Net patient service revenue</b>	<b>\$ 59,893,929</b>	<b>\$ 53,733,401</b>

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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

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

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

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

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Due to differences between original estimates and final settlements or revised estimates, net patient service revenue increased by approximately \$101,000 in 2022 and decreased by approximately \$262,000 in 2021.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2022 and 2021, were approximately \$229,000 and \$219,000, respectively.

**10. CARES Act Provider Relief Fund:**

The District received \$1,577,981 of funding from the CARES Act Provider Relief Fund (PRF) during the year ended June 30, 2022. The District received \$5,059,207 of PRF during the year ended June 30, 2020. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as deferred grant revenue until eligible expenses or lost revenues are recognized. During the years ended June 30, 2022 and 2021, the District recognized \$1,627,442 and \$4,998,174, respectively, of grant revenue from these funds. The District had \$0 and \$49,461 remaining funds as of June 30, 2022 and 2021, respectively, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**11. Risk Management and Contingencies:**

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

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

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

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

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

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**Curry Health District**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

**12. Concentrations:**

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

The mix of receivables from patients was as follows:

	<b>2022</b>	<b>2021</b>
Medicare	<b>30 %</b>	32 %
Medicaid	<b>19</b>	16
Other third-party payors	<b>46</b>	47
Patients	<b>5</b>	5
	<b>100 %</b>	100 %

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

## **SUPPLEMENTAL INFORMATION**

**Curry Health District**  
**Schedule of Resources and Expenditures – Budget vs. Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2022**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<i>Operating revenue</i>			
Net patient revenue	\$ 56,139,366	\$ 59,893,929	\$ 3,754,563
Other operating revenue	335,929	658,900	322,971
Total operating revenues	56,475,295	60,552,829	4,077,534
<i>Operating expenses</i>			
Salaries and wages	24,997,054	23,865,989	1,131,065
Employee benefits	5,313,713	4,811,436	502,277
Contract labor	7,739,188	8,415,404	(676,216)
Professional fees	465,845	2,858,051	(2,392,206)
Purchased services	3,458,573	3,205,261	253,312
Supplies	2,804,057	3,015,594	(211,537)
Pharmaceuticals	2,278,182	2,135,278	142,904
Utilities	825,346	786,054	39,292
Insurance	631,144	637,778	(6,634)
Rent	1,351,253	323,230	1,028,023
Depreciation and amortization	3,438,427	4,211,193	(772,766)
Interest	1,658,173	1,757,909	(99,736)
Other expenses	839,666	960,422	(120,756)
Total operating expenses	55,800,621	56,983,599	(1,182,978)
<i>Operating income</i>	674,674	3,569,230	2,894,556
<i>Nonoperating revenue and expenses</i>			
Other revenues and expenses, net	1,511,391	3,527,911	2,016,520
Total nonoperating revenues, net	1,511,391	3,527,911	2,016,520
<b>Change in net position</b>	<b>\$ 2,186,065</b>	<b>\$ 7,097,141</b>	<b>\$ 4,911,076</b>

## **ADDITIONAL REQUIRED REPORTS**

**Curry Health District**  
**Audit Comments and Disclosures Required by Oregon State Regulations**  
**Year Ended June 30, 2022**

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

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



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors  
Curry Health District  
Gold Beach, Oregon

We have audited the basic financial statements of Curry Health District (the District) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 12, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements as of and for the year ended June 30, 2022, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of the ORS as specified in OAR 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

## **OAR 162-010-0230 Internal Control**

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

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

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

### **Restriction on Use**

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



For Dingus, Zarecor & Associates PLLC  
Spokane Valley, Washington  
December 12, 2022

## **SINGLE AUDIT**

## **AUDITORS' SECTION**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Curry Health District  
Gold Beach, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Curry Health District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 12, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Dingus, Zarecor & Associates PLLC*



Spokane Valley, Washington  
December 12, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

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

Board of Directors  
Curry Health District  
Gold Beach, Oregon

**Report on Compliance for the District's Major Federal Program**

***Opinion on Its Major Federal Program***

We have audited Curry Health District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Its Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
December 12, 2022

**Curry Health District**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2022**

**Section I – Summary of Auditors’ Results**

**Financial Statements:**

Type of auditors’ report issued:

*Unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

• Significant deficiency(ies) identified?

\_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

**Federal Awards:**

Internal control over major programs:

• Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

• Significant deficiency(ies) identified?

\_\_\_\_\_ yes   X   none reported

Type of auditors’ report issued on compliance for major federal programs:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.526(a)

\_\_\_\_\_ yes   X   no

Identification of major federal programs:

*Federal Assistance Listing Number*

*Name of Federal Program or Cluster*

10.766

Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes   X   no

**Curry Health District  
Schedule of Audit Findings and Questioned Costs (Continued)  
Year Ended June 30, 2022**

**Section II – Financial Statement Findings**

There are no matters reported for 2022. Therefore, no corrective action plan is necessary, not has one been prepared.

**Section III – Federal Award Findings and Questioned Costs**

There are no matters reported for 2022. Therefore, no corrective action plan is necessary, not has one been prepared.

**AUDITEE'S SECTION**

**Curry Health District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-through Entity Identifying Number	Additional Award Information	Federal Expenditures
<b>U.S. Department of Agriculture Direct Programs:</b>				
<b>Community Facilities Loans and Grants Cluster:</b>				
Community Facilities Loans and Grants	10.766			\$ 20,418,169
				20,418,169
<b>U.S. Department of Health and Human Services Direct Programs:</b>				
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19	149,462
COVID-19 Testing for the Uninsured	93.461		COVID-19	40,407
Total U.S. Department of Health and Human Services Direct Programs				189,869
<b>U.S. Department of Health and Human Services Pass-through Programs From:</b>				
<i>Oregon Health &amp; Sciences University</i>				
Small Rural Hospital Improvement Grant Program	93.301	1015654_SHIP_CURRY		8,371
Rural Health Research Centers	93.155	1020991_CURRY	COVID-19	258,376
Total U.S. Department of Health and Human Services Pass-through Programs				266,747
Total U.S. Department of Health and Human Services				456,616
Total expenditures of federal awards				\$ 20,874,785

See

accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

**Notes to Schedule of Expenditures of Federal Awards**

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Curry Health District (the District) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**2. Summary of Significant Accounting Policies:**

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

**3. Loan Guarantee:**

Nonmonetary assistance in the form of a loan guarantee is included in the accompanying schedule of expenditures of federal awards. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The related loan balance was \$20,153,464 at June 30, 2022.

**Curry Health District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2022**

<b>Prior Year Number</b>	<b>Description</b>	<b>Current Status</b>
2021-001	Reported Revenue	Resolved