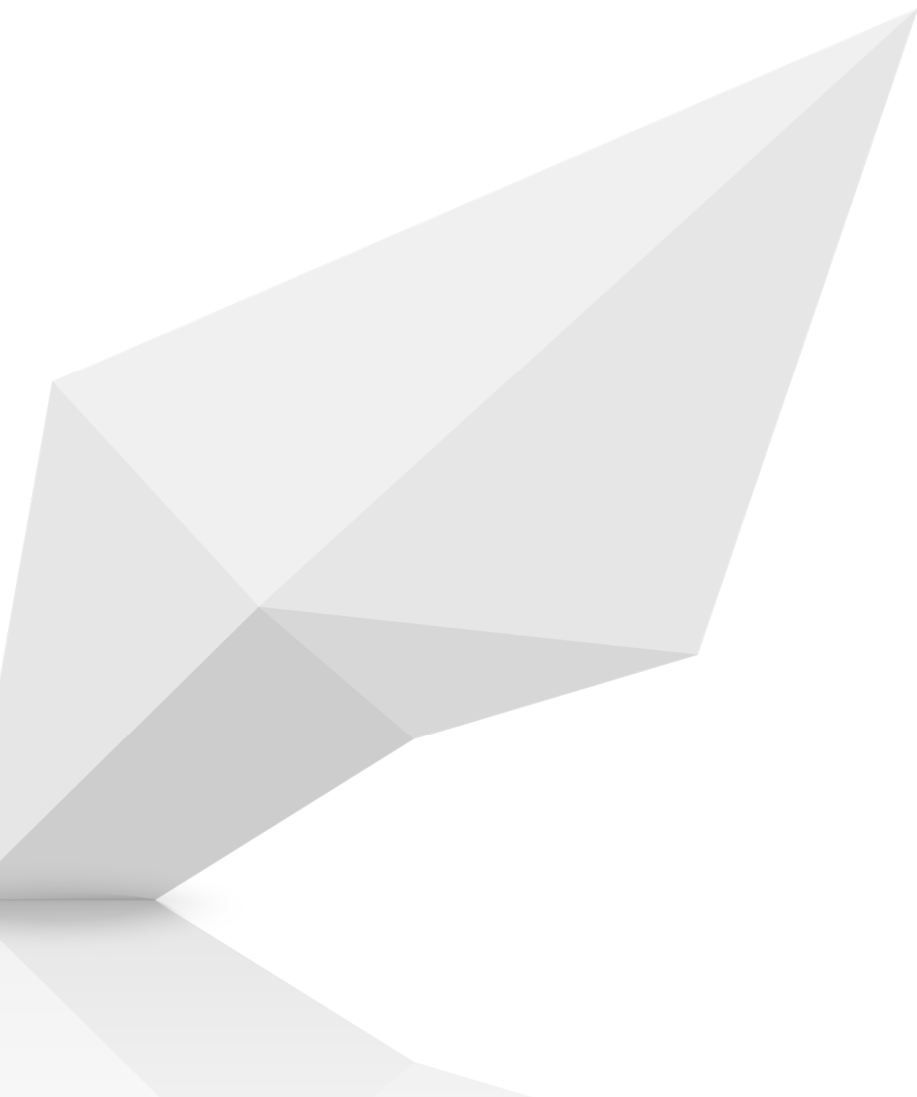


Morrow County Health District d/b/a Pioneer Memorial Hospital

Financial Statements and
Supplementary Information

Years Ended June 30, 2022 and 2021



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

Directory of Officials

June 30, 2022

	<u>Elected</u>	<u>Expiration</u>
Board of Directors:	John Murray PO Box 427 Heppner, OR 97836	June 2025
	Carri Grieb PO Box 395 Lexington, OR 97839	June 2023
	Aaron Palmquist PO Box 428 Irrigon, OR 97844	June 2023
	Diane Kilkenny 430 Frank Gilliam Drive Heppner, OR 97836	June 2025
	Marie Shimer PO Box 976 Boardman, OR 97818	June 2025

Appointed

Administrator: Emily Roberts

Mailing Address

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District"), which comprise the statements of net position as of June 30, 2022 and 2021, and the statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Morrow County Health District d/b/a Pioneer Memorial Hospital as of June 30, 2022 and 2021, and changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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*, (*Government Auditing Standards*) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Morrow County Health District d/b/a Pioneer Memorial Hospital 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Morrow County Health District d/b/a Pioneer Memorial Hospital's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's 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 auditor's 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* and will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Morrow County Health District d/b/a Pioneer Memorial Hospital'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 Morrow County Health District d/b/a Pioneer Memorial Hospital'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.

Change in Accounting Principle

As discussed in note 1 to the financial statements, during the year ended June 30, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis ("MD&A") on pages 5 through 11, 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 GAAS, 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 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of patient service revenue, schedule of operating expenses and interest expense, schedule of resources and expenditures - budget and actual, schedule of property tax transactions and outstanding balances, and schedule of future debt service requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of patient service revenue, schedule of operating expenses and interest expense, schedule of resources and expenditures - budget and actual, schedule of property tax transactions and outstanding balances, and schedule of future debt service requirements are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the district's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 15, 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.

Wipfli LLP

Wipfli LLP

By:

Eric Volk

Eric Volk, CPA Oregon Municipal Auditor, Lic# 1637

Spokane, Washington
November 15, 2022

Morrow County Health District d/b/a Pioneer Memorial Hospital Management's Discussion and Analysis

Years Ended June 30, 2022, 2021, and 2020

Introduction

Our discussion and analysis of the Morrow County Health District (MCHD) d/b/a Pioneer Memorial Hospital's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2022, 2021, and 2020. Please read it in conjunction with the financial statements that follow this analysis.

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

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

The District is a municipal government entity. As such, the District levies and the county collects property taxes from property owners within the health district. This tax revenue is used to support the purpose of the District, which is to provide health care to the citizens. Tax support represents approximately 16% of District receipts.

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

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2022, 2021, and 2020

Financial Highlights

- ⇒ The District's net position increased by \$714,733 to \$10,398,043 at June 30, 2022 and from \$9,683,310 in 2021 and \$5,920,465 in 2020.
- ⇒ Gross patient revenue decreased by \$596,778, or 4% in 2022, and increased by \$1,679,592, or 13%, in 2021, and \$1,231,637 or 11% in 2020 and net patient revenue decreased by less than 1% in 2022, increased 14% in 2021, and 6% in 2020.
- ⇒ Net patient accounts receivable decreased from \$1,836,027 at June 30, 2020 to \$1,639,810 at June 30, 2021, and decreased from \$1,639,810 at June 30, 2021 to \$1,609,990 at June 30, 2022.
- ⇒ Total nonoperating revenue - net, including property taxes, decreased by \$2,357,872, or 34%, in 2022, increased by \$4,124,499, or 150%, in 2021, and increased by \$482,568, or 21%, in 2020. The reduction in 2022 was primarily due to a reduction of the recognition of CARES Act related revenue.
- ⇒ The District's total overall operating expenses increased by \$394,591, or 1%, in 2022 by \$1,841,741, or 12%, in 2021, and \$1,717,434 or 13% in 2020.
- ⇒ Capital asset expenditures, including construction in progress, were \$772,708 during 2022. The largest costs were associated with the purchase of a new ambulance, hospital beds, and a mobile x-ray machine.
- ⇒ The District voters approved an operating tax levy that began in fiscal year 2010. The voters approved an additional five-year operating levy in May 2014, which had an estimated five-year total tax revenue of \$2,950,000. The District recognized a total operating tax revenue of \$2,958,395 over the five years ending fiscal year 2019, which was just over the estimated amount. Voters approved an additional five-year levy in May 2019, which was approved at the same rate as the previous levy. The District's total tax revenue recognized was \$2,568,197 in 2022, \$2,333,380 in 2021, and \$2,129,531 in 2020.

Using This Annual Report

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

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

These two statements report the District's net position and annual changes to it. You can think of the District's net position as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2022, 2021, and 2020

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

You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

Statements of Cash Flows

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

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position increased by \$714,733 in 2022, increased by \$3,762,845 in 2021, and decreased by \$146,531 in 2020, as reported in Table 2.

Condensed financial information for the years ended June 30, 2022, 2021, and 2020, is as follows:

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

<i>June 30,</i>	2022	2021	2020	<u>2022-2021</u>		<u>2021-2020</u>	
				\$ Change	% Change	\$ Change	% Change
Assets:							
Other assets	\$ 9,807	\$ 9,955	\$ 11,293	\$ (148)	-1.49 %	\$ (1,338)	-11.85 %
Capital assets	4,945	4,863	4,349	82	1.69 %	514	11.82 %
Total assets	\$ 14,752	\$ 14,818	\$ 15,642	\$ (66)	-0.45 %	\$ (824)	-5.27 %
Liabilities:							
Other liabilities	\$ 2,923	\$ 3,113	\$ 5,592	\$ (190)	-6.10 %	\$ (2,479)	-44.33 %
Long-term liabilities	1,431	2,022	4,129	(591)	-29.23 %	(2,107)	-51.03 %
Total liabilities	\$ 4,354	\$ 5,135	\$ 9,721	\$ (781)	-15.21 %	\$ (4,586)	-47.18 %
Net position:							
Unrestricted	\$ 6,320	\$ 5,971	\$ 3,362	\$ 349	5.84 %	\$ 2,609	77.60 %
Net investment in capital assets	3,196	2,841	2,009	355	12.50 %	832	41.41 %
Restricted	882	871	550	11	1.26 %	321	58.36 %
Total net position	\$ 10,398	\$ 9,683	\$ 5,921	\$ 715	7.38 %	\$ 3,762	63.54 %

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2022, 2021, and 2020

Operating Results and Changes in the District's Net Position

The District's net position increased by \$714,733 in 2022, increased by \$3,762,845 in 2021, and decreased by \$146,531 in 2020 as reported in Table 2.

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

<i>Years Ended June 30,</i>	2022	2021	2020	<u>2022-2021</u>		<u>2021-2020</u>	
				\$ Change	% Change	\$ Change	% Change
Operating revenue:							
Net patient service revenue	\$ 13,262	\$ 13,244	\$ 11,645	\$ 18	0.14 %	\$ 1,599	13.73 %
Other operating income	284	397	374	(113)	-28.46 %	23	6.15 %
Total operating revenue	13,546	13,641	12,019	(95)	-0.70 %	1,622	13.50 %
Operating expenses:							
Salaries and benefits	12,078	12,356	11,145	(278)	-2.25 %	1,211	10.87 %
Depreciation and amortization	691	668	612	23	3.44 %	56	9.15 %
Supplies	1,288	1,310	1,167	(22)	-1.68 %	143	12.25 %
Other operating expenses	3,373	2,701	2,257	672	24.88 %	444	19.67 %
Total operating expenses	17,430	17,035	15,181	395	2.32 %	1,854	12.21 %
Operating loss	(3,884)	(3,394)	(3,162)	(490)	14.44 %	(232)	7.34 %
Nonoperating revenue (expenses):							
Property tax revenue	2,568	2,333	2,130	235	10.07 %	203	9.53 %
Grant revenue	211	117	229	94	80.34 %	(112)	-48.91 %
Contract revenue	141	118	139	23	19.49 %	(21)	-15.11 %
Interest earnings	35	68	61	(33)	-48.53 %	7	11.48 %
Interest expense	(81)	(94)	(102)	13	-13.83 %	8	-7.84 %
Donations and pharmacy revenue	699	33	25	666	2,018.18 %	8	32.00 %
Gain on sale of assets	7	2	-	5	250.00 %	2	-100.00 %
Other	930	4,290	250	(3,360)	-78.32 %	4,040	1,616.00 %
Total nonoperating revenue, net	4,510	6,867	2,732	(2,357)	-34.32 %	4,135	151.35 %
Excess (deficit) of revenue over (under) expenses	626	3,473	(430)	(2,847)	-81.98 %	3,903	-907.67 %
Capital grants and contributions	89	289	284	(200)	-69.20 %	5	1.76 %
Net position, beginning of year	9,683	5,921	6,067	3,762	63.54 %	(146)	-2.41 %
Net position, end of year	\$ 10,398	\$ 9,683	\$ 5,921	\$ 715	7.38 %	\$ 3,762	63.54 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2022, 2021, and 2020

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

Operating Losses

The overall operating loss increased by \$489,682 in 2022 and increased by \$219,821 in 2021. The increase in operating expenses directly contributed to the increased loss over last year. Other operating expenses increased as a result of COVID-19 funds being returned to funding agencies and due to the hiring of new employees in new positions and temporary staffing expenses for vacant positions. There was also a significant increase in legal and IT-related professional fees during 2022.

Nonoperating Revenue and Expenses

The District's overall net nonoperating revenue decreased by \$2,357,872, or 34% because of recognition of less CARES Act related revenue (no Paycheck Protection Loan forgiveness and less Provider Relief Fund revenue) in 2022 and increased by \$4,124,465, or 150%, in 2021 due primarily due to the recognition of CARES Act revenue and PPP Loan forgiveness.

Grants, Contributions, and Endowments

In 2022, the District received \$299,512 in grant funding. The largest grant, in the amount of \$250,407, was from Columbia River Enterprise Zone (CREZ) for the new Irrigon Ambulance Hall project.

The largest sources of contract revenue were from Morrow County for Lone Community Clinic, from state-level, school-based health center funding of \$54,000, and Willow Creek Valley Assisted Living Corporation for management and accounting services of \$59,400.

Donations received in fiscal year 2022 totaled \$698,302 and were from various community donors as memorials or for a specific purpose or service of the District. The largest donation was \$23,000 from Pioneer Memorial Hospital Foundation, used for the purchase of new equipment for the hospital.

The District's Cash Flows

The decrease in cash and cash equivalents from 2021 to 2022 was 3.6%, while there was a 16% decrease from 2020 to 2021. Detailed cash flows from the District's activities are outlined on pages 15 and 16 in the statements of cash flows.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2022, 2021, and 2020

Capital Asset and Debt Administration

Capital Assets

Capital asset expenditures, including construction in progress, were \$772,708 this year. The largest costs were associated with a new ambulance, hospital beds, and a mobile x-ray machine.

Debt

In August 2021, the District borrowed \$67,500 from the Greater Eastern Oregon Development Corporation to use for the purchase of a church adjacent to the Hospital for future expansion and housing for staff. The term of the loan is 10 years, and the interest rate is 1.5%. The District also refinanced their USDA loan to a 20-year term with a new interest rate of 4.15% and total borrowing of \$800,000.

Financial Risks Potentially Affecting Morrow County Health District and the Healthcare Field Generally

In considering financial risks to the District, there are two areas in particular that stand out.

COVID-19

COVID-19 has had a significant impact on the healthcare landscape. Recruiting has become more difficult for a number of reasons, including medical professionals choosing to leave the healthcare field, a workforce shortage that has resulted in more open positions than available workers across many industries, and huge financial incentives for healthcare workers to accept traveling positions.

Recruitment and Staffing:

Provider vacancies have a significant impact on the District's finances not only because the clinics have reduced capacity, but also because utilization of ancillary services is reduced (imaging, lab, etc.).

Over the past year, there has been continued challenges with recruiting and retention in the medical field as a whole and at the District in particular. The District has increased its utilization of locum and traveling providers in order to continue to provide critical services, which has been costly.

The addition of new providers in the coming year will be helpful in expanding availability of services, increasing utilization of available services, and reducing reliance on contracted providers.

**Morrow County Health District
d/b/a Pioneer Memorial Hospital
Management's Discussion and Analysis (Continued)**

Years Ended June 30, 2022, 2021, and 2020

Contacting the District's Financial Management

This financial report is designed to provide readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration office at Pioneer Memorial Hospital, PO Box 9, Heppner, OR 97836 or call 541.676.2925.

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

Statements of Net Position

<i>June 30,</i>	2022	2021
Current assets:		
Cash and cash equivalents	\$ 6,047,126	\$ 6,707,182
Receivables:		
Patient accounts - Net	1,609,990	1,639,810
Taxes	66,688	70,029
Other	142,388	56,028
Inventories	396,922	366,523
Prepaid expenses	114,528	72,523
Total current assets	8,377,642	8,912,095
Noncurrent assets:		
Board-designated cash - Capital fund	547,946	171,661
Restricted cash and cash equivalents	882,061	871,086
Capital assets:		
Nondepreciable capital assets	651,922	566,455
Depreciable capital assets - Net	4,292,909	4,296,413
Total noncurrent assets	6,374,838	5,905,615
TOTAL ASSETS	\$ 14,752,480	\$ 14,817,710

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Statements of Net Position (Continued)

<i>June 30,</i>	2022	2021
Current liabilities:		
Current portion of long-term debt	\$ 316,571	\$ 337,915
Accounts payable	340,748	287,380
Accrued compensation and related liabilities	261,696	208,389
Compensated absences	430,095	459,105
Estimated third-party payor settlements	460,144	28,670
Accrued interest	3,052	4,389
Unearned revenue	1,110,177	2,124,542
Total current liabilities	2,922,483	3,450,390
Noncurrent liabilities - Long-term debt, less current portion	1,431,954	1,684,010
Total liabilities	4,354,437	5,134,400
Net position:		
Net investment in capital assets	3,196,306	2,840,943
Restricted:		
For debt service	-	68,588
By donors	140,727	140,153
By grant and service contracts	741,334	662,345
Unrestricted	6,319,676	5,971,281
Total net position	10,398,043	9,683,310
TOTAL LIABILITIES AND NET POSITION	\$ 14,752,480	\$ 14,817,710

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

Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended June 30,</i>	2022	2021
Operating revenue:		
Net patient service revenue	\$ 13,261,872	\$ 13,243,682
Other operating income	283,669	396,950
Total operating revenue	13,545,541	13,640,632
Operating expenses:		
Salaries and wages	9,047,971	9,378,900
Employee benefits	3,030,165	2,977,315
Professional fees	1,185,178	661,528
Supplies	1,288,165	1,309,846
Purchased services - Utilities	205,849	207,306
Purchased services - Other	980,429	1,048,926
Insurance	145,393	138,242
Other operating expense	855,529	644,792
Depreciation expense	690,745	667,978
Total operating expenses	17,429,424	17,034,833
Loss from operations	(3,883,883)	(3,394,201)
Nonoperating revenue (expenses):		
Property tax revenue	2,568,197	2,333,380
Grant revenue	210,946	116,537
Contract revenue	141,319	117,814
Interest earnings	35,425	67,883
Interest expense	(81,203)	(94,099)
Donations	698,302	32,683
Gain on sale of assets	6,600	2,201
HHS Provider Relief Fund income	478,009	2,190,193
Paycheck Protection Program loan forgiveness	-	1,788,357
Other nonoperating expense	452,455	312,973
Total nonoperating revenue - Net	4,510,050	6,867,922
Excess of revenue over expenses	626,167	3,473,721
Capital grants and contributions	88,566	289,124
Increase in net position	714,733	3,762,845
Net position - Beginning of year	9,683,310	5,920,465
Net position - End of year	\$ 10,398,043	\$ 9,683,310

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

Statements of Cash Flows

<i>Years Ended June 30,</i>	2022	2021
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 13,723,166	\$ 12,804,617
Receipts from other operating revenue	197,309	443,424
Payments to and on behalf of employees	(12,053,839)	(12,340,112)
Payments to suppliers, contractors, and others	(4,679,579)	(4,067,676)
Net cash used in operating activities	(2,812,943)	(3,159,747)
Cash flows from noncapital financing activities:		
Taxation for operations	2,571,538	2,338,346
Cash received from grants, contract revenue, contributions, and donations	1,050,567	267,034
Net cash received from (returned to) emergency COVID-19 funding - HHS Provider Relief grant	(536,356)	300,000
Other	452,455	1,821,426
Net cash provided by noncapital financing activities	3,538,204	4,726,806
Cash flows from capital and related financing activities:		
Insurance proceeds	6,600	2,500
Proceeds from issuance of long-term debt	67,500	90,000
Principal paid on long-term debt and lease obligations	(340,900)	(2,197,272)
Interest paid on long-term debt and lease obligations	(82,540)	(94,498)
Received from capital grants and contributions	88,566	573,550
Purchase of capital assets	(772,708)	(1,181,721)
Net cash used in capital and related financing activities	(1,033,482)	(2,807,441)
Net cash provided by investing activities - Interest received	35,425	67,883
Net decrease in cash and cash equivalents	(272,796)	(1,172,499)
Cash and cash equivalents - Beginning of year	7,749,929	8,922,428
Cash and cash equivalents - End of year	\$ 7,477,133	\$ 7,749,929

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

Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2022	2021
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (3,883,883)	\$ (3,394,201)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Provision for bad debt	146,574	177,190
Depreciation expense	690,745	667,978
Changes in assets and liabilities:		
Receivables:		
Patient accounts - Net	(116,754)	14,505
Other	(86,360)	46,474
Inventories	(30,399)	(68,466)
Prepaid expenses	(42,005)	(14,512)
Accounts payable	53,368	30,464
Accrued compensation and related liabilities	53,307	(24,963)
Estimated third-party payor settlements	431,474	(635,282)
Compensated absences	(29,010)	41,066
Total adjustments	1,070,940	234,454
Net cash used in operating activities	\$ (2,812,943)	\$ (3,159,747)

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Accounting

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

Use of Estimates

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

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

Cash and Cash Equivalents

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

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

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

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The District received approximately 14.5% and 11.3% of its financial support from property taxes in the years ended June 30, 2022 and 2021, respectively.

Property taxes are levied by the District and collected by the Morrow County Treasurer for operations. Taxes estimated to be collectible are recorded as revenue in the year of the levy. No allowance for doubtful taxes receivable is considered necessary. Taxes levied are recorded as nonoperating revenue. The taxes are levied on July 1 each year and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of September 30 each year. On November 4, 2008, the District voters approved a five-year special operating levy, which began in fiscal year 2010. District voters approved another five-year special operating levy that began in fiscal year 2015. Voters approved an additional five-year levy in May 2019 which was approved at the same rate as the previous levy and began in fiscal year 2020. The funds used to support operations were \$2,568,197 and \$2,333,380 for the years ended June 30, 2022 and 2021, respectively.

New Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87 - *Leases*. The statement enhances the relevance and consistency of reporting for the District's leasing activity by establishing requirements for lease accounting based on the principal that leases are financings of underlying right-to-use assets. A Lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The adoption of this guidance was retroactive for the year ended June 30, 2022. The adoption of this guidance did not affect beginning net position for the year ended June 30, 2021, and, accordingly, restatement of beginning net position for the year ended June 30, 2021, was not necessary.

Inventories

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

Restricted Cash and Cash Equivalents

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

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

Unearned Revenue

Unearned revenue arises when resources are unearned by the District and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

Compensated Absences

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

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

Net Position

Net position is reported in three categories:

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

Restricted - This category consists of noncapital assets whose use is restricted, reduced by liabilities and deferred inflows of resources related to those assets.

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, donors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

Operating Revenue and Expenses

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

Net Patient Revenue

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients, the District recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grants and Contributions

From time to time, the District receives grants from the federal government and the State of Oregon, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue in the year received.

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

Advertising Costs

Advertising costs are expensed as incurred.

Note 2: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits per insured institution. At June 30, 2022, the District exceeded the insured limits. The District's deposits in excess of federally insured limits are protected by the qualifying institutions' participation in the Oregon Public Funds Collateralization Program (PFCP), which provides protection from loss for deposits in excess of federal limits.

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

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

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

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

Notes to Financial Statements

Note 2: Cash and Cash Equivalents (Continued)

The LGIP is not rated by any national rating service and is not a registered investment company with the U.S. Securities and Exchange Commission. The District considers all investments to be cash and cash equivalents. The LGIP is not subject to fair value hierarchy disclosures.

All final decisions regarding the purchase and sale of investment securities remain with the District Board. The District's investment procedure is designed to maximize return and limit the following types of risk:

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

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

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

Custodial credit risk - The risk that in an event of a bank failure the District's deposits may not be returned to it. ORS 295.002 provides for funds deposited in excess of \$250,000 to be held only in a depository qualified by the PFCP. The District's deposits are held by a depository qualified under PFCP for the years ended June 30, 2022 and 2021.

The carrying amounts of cash and cash equivalents are included in the District's statements of net position as follows at June 30:

	2022	2021
Included in the following statements of net position descriptions:		
Current assets:		
Cash and cash equivalents	\$ 6,047,126	\$ 6,707,182
Noncurrent assets:		
Board-designated cash - Capital fund	547,946	171,661
Restricted cash and cash equivalents:		
Restricted by debt instrument, USDA reserve fund	-	68,588
Restricted by donors	140,727	140,153
Restricted by grant and service contracts	741,334	662,345
Total restricted cash and cash equivalents	882,061	871,086
Total cash and cash equivalents	\$ 7,477,133	\$ 7,749,929

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

Notes to Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors

The District provides services to patients under contractual agreements with the Medicare and Medicaid programs. Differences between gross revenue charged and reimbursement under each of the various programs are included in revenue deductions and allowances. Gross revenue billed under the Medicare and Medicaid programs totaled approximately \$9,962,000 and \$9,910,000 for the years ended June 30, 2022 and 2021, respectively.

Medicare

The District's hospital is designated as a critical access hospital (CAH). As a CAH, the District's inpatient and outpatient services provided to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District's clinics are certified as rural health clinics. As such, services provided to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. The District is reimbursed for cost at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The Medicare program's administrative procedures preclude final determination of amounts due to the District for such services until three years after the District's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary. The District's Medicare cost reports have been final-settled through the year ended June 30, 2020.

Medicaid

Because the District's hospital is a CAH, inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. The District is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Medicaid reimburses RHCs on a prospective rate that is based on historical cost without any cost report settlement at year-end. The District's Medicaid cost reports have been final-settled through the year ended June 30, 2019.

Other

The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters, such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations.

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

Notes to Financial Statements

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

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

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

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

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable consisted of the following at June 30:

	2022	2021
Receivable from patients and their insurance carriers	\$ 1,100,446	\$ 1,244,417
Receivable from Medicare	648,306	668,536
Receivable from Medicaid	173,479	121,413
Total patient accounts receivable	1,922,231	2,034,366
Less - Contractual adjustments	88,646	124,053
Less - Allowance for uncollectible amounts	223,595	270,503
Patient accounts receivable - Net	\$ 1,609,990	\$ 1,639,810

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

Notes to Financial Statements

Note 5: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Nondepreciable capital assets:					
Land	\$ 135,700	\$ -	\$ -	\$ -	\$ 135,700
Construction in progress	430,755	487,038	-	(401,571)	516,222
Total nondepreciable capital assets	566,455	487,038	-	(401,571)	651,922
Depreciable capital assets:					
Land improvements	291,596	10,000	-	-	301,596
Buildings and improvements	5,852,175	17,660	-	-	5,869,835
Software	758,810	-	-	-	758,810
Equipment	6,593,973	258,010	(127,589)	401,571	7,125,965
Total depreciable capital assets	13,496,554	285,670	(127,589)	401,571	14,056,206
Total capital assets before depreciation	14,063,009	772,708	(127,589)	-	14,708,128
Less - Accumulated depreciation	(9,200,141)	(690,745)	127,589	-	(9,763,297)
Capital assets - Net	\$ 4,862,868	\$ 81,963	\$ -	\$ -	\$ 4,944,831

At June 30, 2022, construction in progress consisted of planning for new hospital facilities, and the addition of a mobile clinic in Boardman, Oregon. The facility planning project currently has an unknown end date and estimated cost to complete. The mobile clinic took an additional \$40,000 to complete and was completed on October 15, 2022.

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 5: Capital Assets (Continued)

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Nondepreciable capital assets:					
Land	\$ 95,450	\$ -	\$ -	\$ 40,250	\$ 135,700
Construction in progress	195,654	948,088	-	(712,987)	430,755
Total nondepreciable capital assets	291,104	948,088	-	(672,737)	566,455
Depreciable capital assets:					
Land improvements	269,471	22,125	-	-	291,596
Buildings and improvements	5,717,425	-	-	134,750	5,852,175
Software	758,810	-	-	-	758,810
Equipment	6,010,066	219,517	(173,597)	537,987	6,593,973
Total depreciable capital assets	12,755,772	241,642	(173,597)	672,737	13,496,554
Total capital assets before depreciation	13,046,876	1,189,730	(173,597)	-	14,063,009
Less - Accumulated depreciation	(8,697,452)	(667,974)	165,285	-	(9,200,141)
Capital assets - Net	\$ 4,349,424	\$ 521,756	\$ (8,312)	\$ -	\$ 4,862,868

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt:					
<i>Direct borrowings</i>					
USDA Loan	\$ 823,562	\$ -	\$ (823,562)	\$ -	\$ -
Bank of Eastern Oregon Loan Refinance	-	800,000	(2,274)	797,726	26,322
Bank of Eastern Oregon Boiler Loan	97,418	-	(26,422)	70,996	27,539
Bank of Eastern Oregon IMC Remodel	96,084	-	(46,588)	49,496	48,678
Bank of Eastern Oregon Boardman Ambulance Loan	113,627	-	(28,612)	85,015	29,820
Greater E. Oregon Devel. Corp. Morrow County IMC Loan	19,681	-	(10,189)	9,492	9,492
Bank of Eastern Oregon Amb./Lab Loan	7,173	-	(7,173)	-	-
Bank of Eastern Oregon Boardman Building Loan	122,644	-	(16,625)	106,019	17,303
Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan	68,317	-	(9,816)	58,501	9,966
Bank of Eastern Oregon Procedure Room Remodel Loan	47,955	-	(38,177)	9,778	9,778
Bank of Eastern Oregon IMC Expansion Loan	375,599	-	(43,081)	332,518	45,060
Bank of Eastern Oregon Omnicell and Ultrasound Loan	159,865	-	(74,849)	85,016	78,298
Greater E. Oregon Devel. Corp Morrow County House Loan	90,000	-	(7,705)	82,295	7,924
Greater E Oregon Devel. Corp Morrow County Church Loan	-	67,500	(5,827)	61,673	6,391
Total long-term debt	\$ 2,021,925	\$ 867,500	\$(1,140,900)	\$ 1,748,525	\$ 316,571

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-term debt obligations consisted of the following:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term debt:					
<i>Direct borrowings</i>					
USDA Loan	\$ 851,188	\$ -	\$ (27,626)	\$ 823,562	\$ 29,003
Bank of Eastern Oregon Boiler Loan	122,767	-	(25,349)	97,418	26,421
Bank of Eastern Oregon IMC Remodel	140,467	-	(44,383)	96,084	46,428
Bank of Eastern Oregon Equipment/Amb. Loan	141,076	-	(27,449)	113,627	28,610
Greater E. Oregon Devel. Corp. Morrow County IMC Loan	29,668	-	(9,987)	19,681	10,188
Greater E. Oregon Devel. Corp. Morrow County Annex Loan	9,607	-	(9,607)	-	-
Bank of Eastern Oregon Amb./Lab Loan	49,312	-	(42,139)	7,173	7,169
Bank of Eastern Oregon Boardman Building Loan	138,618	-	(15,974)	122,644	16,626
Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan	77,989	-	(9,672)	68,317	9,818
Bank of Eastern Oregon Procedure Room Remodel Loan	84,709	-	(36,754)	47,955	38,060
Bank of Eastern Oregon IMC Expansion Loan	416,784	-	(41,185)	375,599	43,081
Bank of Eastern Oregon Omnicell and Ultrasound Loan	231,425	-	(71,560)	159,865	74,859
Greater E. Oregon Devel. Corp Morrow County House Loan	-	90,000	-	90,000	7,652
Other long-term debt obligations:					
Paycheck Protection Program Loan	1,788,357	-	(1,788,357)	-	-
Total long-term debt	\$ 4,081,967	\$ 90,000	\$ (2,150,042)	\$ 2,021,925	\$ 337,915

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-Term Debt

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

- GEODC - Note dated May 21, 2021, due in monthly payments of \$889.97, including interest at 3.50% through 2031. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated March 3, 2020, due in monthly payments of \$2,732, including interest at 4.15% through 2025. Collateralized by the titled vehicles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated December 9, 2019, due in monthly payments of \$2,497, including interest at 4.15% through 2024. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - IMC Expansion Loan - Note dated December 12, 2018, due in monthly payments of \$4,925, including interest at 4.50% through 2028. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Omnicell and Ultrasound - Note dated July 25, 2018, due in monthly payments of \$6,710, including interest at 4.50% through 2023. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Greater Eastern Oregon Development Council (GEODC) - Note dated January 31, 2018, due in monthly payments of \$898, including interest at 1.5% through 2028. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated January 29, 2018, due in monthly payments of \$1,769, including interest of 4.00% through 2028. Collateralized by the purchase of building and land. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated September 26, 2017, due in monthly payments of \$3,276, including interest of 3.75% through 2022. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated August 16, 2016, due in monthly payments of \$3,606, including interest of 3.75% through 2021. Collateralized by the purchased equipment. The loan repayment may be accelerated upon default or other noncompliance with loan terms.

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

- GEODC - Note dated May 7, 2013, due in monthly payments of \$874, including interest at 2.00% through 2023. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated February 27, 2009, due in monthly payments of \$4,150, including interest at 4.50% through 2023. Collateralized by the District's gross receipts, property tax revenue, and all District assets, excluding Pioneer Memorial Hospital. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- GEODC - Note dated January 12, 2016, due in monthly payments of \$1,385, including interest at 1.5% through 2021. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Loan Refinance - Note dated August 2002, due in monthly payments of \$5,622, including interest at 4.75% through 2042. Collateralized by the District's gross receipts and all present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility. Upon the event of default the repayment may be accelerated or interest increased by up to 2% per annum. Refinanced in 2022.
- Bank of Eastern Oregon Loan Finance - Note dated May 2022, due in monthly payments of \$4,912, including interest at 4.15% through 2042. Collateralized by the District's gross receipts and all present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility. Upon the event of default the repayment may be accelerated or interest increased by up to 2% per annum.

Other Long-Term Debt Obligations

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The District applied for and was approved for a loan of \$1,788,357 at 1.00% interest commencing on that was forgiven on November 30, 2020, in full by the SBA. The gain on forgiveness of debt is included in the statements of revenues, expenses, and changes in net position.

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Equipment under lease obligations consisted of the following at June 30:

	2022	2021
Historical cost	\$ -	\$ 98,459
Less - Accumulated depreciation	-	(41,024)
Total	\$ -	\$ 57,435

Scheduled principal and interest payments on long-term debt are as follows:

Years Ending June 30,	Direct borrowings		
	Principal	Interest	Total
2023	\$ 316,571	\$ 63,495	\$ 380,066
2024	185,295	53,131	238,426
2025	160,752	46,013	206,765
2026	126,650	40,591	167,241
2027	132,436	35,568	168,004
2028-2032	354,629	122,028	476,657
2033-2037	221,276	73,439	294,715
2038-2042	250,916	41,969	292,885
Totals	\$ 1,748,525	\$ 476,234	\$ 2,224,759

Note 7: Leases

Changes in leases payable consisted of the following:

There was no lease activity during the year ended June 30, 2022.

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Stryker Power Loaders Lease	\$ 47,230	\$ -	\$ 47,230	\$ -	-

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

Notes to Financial Statements

Note 7: Leases (Continued)

The terms and expiration dates of the District's leases payable at June 30, 2022, follow:

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

There are no future minimum lease payments for the year ending June 30, 2022.

Note 8: Net Patient Service Revenue

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

	2022	2021
Gross patient service revenue:		
Inpatient services	\$ 1,946,111	\$ 2,312,764
Outpatient services	12,027,983	12,258,108
Totals	13,974,094	14,570,872
Less:		
Contractual adjustments	565,648	1,150,000
Provision for bad debt	146,574	177,190
Net patient service revenue	\$ 13,261,872	\$ 13,243,682

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

	2022	2021
Medicare	54 %	52 %
Medicaid	18 %	16 %
Other third-party payors	23 %	27 %
Self-pay	5 %	5 %
Totals	100 %	100 %

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

Notes to Financial Statements

Note 9: Charity Care

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

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. Gross charges related to patients under the District's charity care policy were \$377,703 in 2022 and \$231,030 in 2021.

Note 10: Employee Benefits and Employee Retirement Plans

The District offers postretirement benefits through AIG VALIC.

Pension plan 401(a) - On July 1, 1998, the District established a defined contribution retirement plan, Morrow County Health District Retirement Plan, which provides retirement benefits to employees of the District. The plan is a profit-sharing plan established under Section 401(a) of the Internal Revenue Code (IRC). The plan covers full-time employees and part-time employees working more than 20 hours per week who are over the age of 18. The District contributes a flat percentage based on profit margin, but no less than 5% of employee earnings. Contributions to the plan from the District were \$310,032 and \$356,278 for the years ended June 30, 2022 and 2021, respectively.

Deferred compensation plan 457 - The District provides a deferred compensation plan to substantially all employees under Section 457 of the IRC. The deferred compensation plan is funded solely from employee contributions, which are deposited with several financial institutions. Effective January 1, 1997, by federal law, these assets can be used only to meet obligations under the plan. Net plan activity was \$(186,321) and \$460,223 (including rollover contributions), with funds on deposit of \$3,113,025 and \$3,299,346 for the years ended June 30, 2022 and 2021, respectively.

Retirement benefits 403(b) - The District has a tax-sheltered annuity plan under Section 403(b) of the IRC that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. The plan allows the participant to make voluntary contributions. Employee annuity contributions are 100% vested. Total employee contributions and transfers to the plan during the year were \$130,167 and \$110,788 for the years ended June 30, 2022 and 2021, respectively.

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

Notes to Financial Statements

Note 10: Employee Benefits and Employee Retirement Plans (Continued)

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

Plan	Value July 1, 2021	Additions	Interest Earned	Gain	Distributions/ Adjustments	Value June 30, 2022
401(a)	\$ 3,885,669	\$ 310,032	\$ 30,327	\$ (454,789)	\$ (432,175)	\$ 3,339,064
457	3,299,346	512,230	29,797	(449,288)	(279,060)	3,113,025
403(b)	924,851	130,167	9,523	(99,575)	(90,554)	874,412

Plan	Value July 1, 2020	Additions	Interest Earned	Gain	Distributions/ Adjustments	Value June 30, 2021
401(a)	\$ 2,957,423	\$ 356,278	\$ 27,219	\$ 721,992	\$ (177,243)	\$ 3,885,669
457	2,839,123	335,176	27,151	662,882	(564,986)	3,299,346
403(b)	691,999	110,788	9,140	123,812	(10,887)	924,852

Note 11: Risk Management

Liability Insurance

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

Coverage is provided in two policies: a primary policy with \$1,000,000 for each medical incident and a \$5,000,000 limit aggregate and an excess policy with \$4,000,000 limits in excess of \$1,000,000 for a total of \$5,000,000 per occurrence and \$9,000,000 aggregate. Deductibles range from \$5,000 to \$25,000 per per claim depending on the type of incident.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. The District does not believe potential claims are significant and, accordingly, has not provided a reserve for potential claims from services provided to patients through June 30, 2022, which have not yet been asserted. The District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

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

Notes to Financial Statements

Note 12: Concentration of Credit Risk

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

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

	2022	2021
Medicare	36 %	33 %
Medicaid	10 %	6 %
Other third-party payors	26 %	34 %
Self-pay	28 %	27 %
Totals	100 %	100 %

Note 13: Provider Relief Funding

Starting in March 2020, the nation in general, and healthcare-related entities specifically were faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the District that both operational performance and cash flows for healthcare-related entities has been and will be impacted during the year ended June 30, 2022 as well as future periods until the pandemic ends.

During the year ended June 30, 2020, the District received approximately \$4,000,000 in grant funding from the U.S. Department of Health and Human Services (HHS) Provider Relief Fund which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring COVID-19 expenses or by incurring lost revenue as a result of COVID-19. The District recognized \$478,009 and \$2,190,193 in nonoperating revenue related to this program during the years ended June 30, 2022 and 2021, respectively. Revenue from this program is included in the the statements of revenues, expenses, and changes in net position.

Note 14: Related-Party Transactions

In the ordinary course of business, the District has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectibility or present any other unfavorable features to the District.

Supplementary Information

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

Schedule of Patient Service Revenue

Year Ended June 30, 2022

	Hospital		Clinics			Ambulances				Home		
	Inpatient	Outpatient	Heppner	Irrigon	Ione	Heppner	Boardman	Irrigon	Ione	Health	Hospice	Total
Daily patient services:												
Medical - Surgical	\$ 428,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 428,179
Swing bed program	700,825	-	-	-	-	-	-	-	-	-	-	700,825
Total daily patient services	1,129,004	-	-	-	-	-	-	-	-	-	-	1,129,004
Ancillary services:												
Clinic services	-	-	870,199	1,352,021	291,102	-	-	-	-	-	-	2,513,322
Home health	-	-	-	-	-	-	-	-	-	589,840	-	589,840
Hospice	-	-	-	-	-	-	-	-	-	-	498,991	498,991
Emergency room	90,708	1,533,579	-	-	-	-	-	-	-	-	-	1,624,287
Radiology	30,948	624,816	-	-	-	-	-	-	-	-	-	655,764
CT scan	32,053	843,551	-	-	-	-	-	-	-	-	-	875,604
Laboratory	95,368	2,236,481	-	-	-	-	-	-	-	-	-	2,331,849
Electrocardiography	3,558	70,673	-	-	-	-	-	-	-	-	-	74,231
Respiratory therapy	91,665	95,246	-	-	-	-	-	-	-	-	-	186,911
Supplies and other	19,447	44,398	-	-	-	-	-	-	-	-	-	63,845
Pharmacy	275,953	1,410,285	-	-	-	-	-	-	-	-	-	1,686,238
Physical therapy	177,407	6,555	-	-	-	-	-	-	-	-	-	183,962
Procedure	-	7,250	-	-	-	-	-	-	-	-	-	7,250
Ambulance	-	-	-	-	-	482,436	624,170	446,390	-	-	-	1,552,996
Total ancillary services	817,107	6,872,834	870,199	1,352,021	291,102	482,436	624,170	446,390	-	589,840	498,991	12,845,090
Gross patient revenue	1,946,111	6,872,834	870,199	1,352,021	291,102	482,436	624,170	446,390	-	589,840	498,991	13,974,094
Medicare adjustments	1,825,591	(740,121)	416,346	219,236	16,041	-	-	-	-	(162,362)	(221,606)	1,353,125
Medicaid adjustments	(15,006)	(948,416)	178,883	115,812	13,754	-	-	-	-	(6,713)	(11,385)	(673,071)
Commercial adjustments	(6,534)	(253,952)	(153,007)	(282,354)	(49,679)	13,645	-	-	-	(53,076)	(17,412)	(802,369)
Administrative adjustments	(4,997)	(56,806)	(5,461)	(7,610)	(1,262)	-	-	-	-	10,506	-	(65,630)
Provisions for bad debt	(26,329)	(92,983)	(8,324)	(16,419)	(2,519)	-	-	-	-	-	-	(146,574)
Charity care	(11,401)	(307,761)	(27,739)	(27,270)	(3,532)	-	-	-	-	-	-	(377,703)
Total revenue deductions	1,761,324	(2,400,039)	400,698	1,395	(27,197)	13,645	-	-	-	(211,645)	(250,403)	(712,222)
Net patient service revenue	\$ 3,707,435	\$ 4,472,795	\$ 1,270,897	\$ 1,353,416	\$ 263,905	\$ 496,081	\$ 624,170	\$ 446,390	\$ -	\$ 378,195	\$ 248,588	\$13,261,872

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Schedule of Operating Expenses and Interest Expense

Year Ended June 30, 2022

	Personnel Services	Materials, Services, and Interest	Subtotal	Depreciation and Amortization	Total
Administration	\$ 818,777	\$ 920,288	\$ 1,739,065	\$ 41,962	\$ 1,781,027
Accounting services	423,441	89,138	512,579	-	512,579
Business office	516,292	116,463	632,755	4,517	637,272
Information systems	106,364	583,198	689,562	29,203	718,765
Dietary	177,346	94,808	272,154	2,451	274,605
Laundry	41,544	9,035	50,579	1,698	52,277
Housekeeping	118,528	20,360	138,888	-	138,888
Plant and maintenance	218,497	199,616	418,113	118,930	537,043
Central supply	63,877	54,709	118,586	-	118,586
Acute care	1,481,395	123,347	1,604,742	126,805	1,731,547
Pharmacy	23,234	610,065	633,299	1,485	634,784
Laboratory	399,645	459,340	858,985	21,534	880,519
IV therapy	-	4,058	4,058	-	4,058
Radiology	345,566	112,146	457,712	43,841	501,553
CT scan	33,406	72,545	105,951	-	105,951
Electrocardiography	20,356	3,597	23,953	-	23,953
Respiratory therapy	68,818	1,370	70,188	-	70,188
Emergency room	1,191,141	461,122	1,652,263	35,415	1,687,678
Medical records	107,071	4,928	111,999	-	111,999
Physical therapy	-	25,977	25,977	9,583	35,560
Swing bed	644,283	3,878	648,161	-	648,161
Swing bed NF	461,420	25,433	486,853	3,008	489,861
Procedure	101	4,334	4,435	2,586	7,021
Heppner ambulance	318,521	51,055	369,576	54,830	424,406
Subtotals	7,579,623	4,050,810	11,630,433	497,848	12,128,281
Home health	463,210	154,435	617,645	11,396	629,041
Hospice	451,907	72,248	524,155	-	524,155
Heppner clinic	1,245,270	136,104	1,381,374	13,638	1,395,012
Irrigon clinic	1,150,839	158,357	1,309,196	90,472	1,399,668
Ione clinic	185,889	34,201	220,090	598	220,688
Boardman ambulance	665,240	91,010	756,250	54,429	810,679
Irrigon ambulance	323,088	35,136	358,224	17,654	375,878
Ione ambulance	7,509	7,404	14,913	4,710	19,623
Lexington ambulance	5,561	2,041	7,602	-	7,602
Totals	\$ 12,078,136	\$ 4,741,746	\$ 16,819,882	\$ 690,745	\$ 17,510,627

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Schedule of Resources and Expenditures - Budget and Actual

Year Ended June 30, 2022

	Filed Budget	Budget Amendments	Final Budget	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Resources:					
Net patient service revenue	\$ 18,532,439	\$ -	\$ 18,532,439	\$ 13,261,872	\$ (5,270,567)
Property/other taxes	2,372,518	-	2,372,518	2,568,197	195,679
Grants/contributions/other	1,094,443	-	1,094,443	1,888,647	794,204
Interest	60,000	-	60,000	35,425	(24,575)
Operating/capital loans	67,500	-	67,500	867,500	800,000
Total resources	\$ 22,126,900	\$ -	\$ 22,126,900	\$ 18,621,641	\$ (3,505,259)
Expenditures:					
Personal services	\$ 13,712,802	\$ -	\$ 13,712,802	\$ 12,078,136	\$ 1,634,666
Materials and services	4,484,623	-	4,484,623	4,660,543	(175,920)
Gross capital outlay	590,970	-	590,970	1,189,730	(598,760)
Debt service	343,713	-	343,713	422,103	(78,390)
Total expenditures	\$ 19,132,108	\$ -	\$ 19,132,108	\$ 18,350,512	\$ 781,596
Change in net position - Budgetary				\$ 271,129	
Reconciliation of statutory operating expenditures to GAAP-basis operating expenses:					
Add: Purchase of equipment				772,708	
Add: Long-term debt and capital leases principal reductions				1,140,575	
Add: Capital grants and contributions				88,566	
Less: Long-term debt additions				867,500	
Less: Depreciation and amortization				<u>690,745</u>	
Total effects of reconciliation				<u>443,604</u>	
Change in net position - GAAP				714,733	
Net position - Beginning of year				<u>9,683,310</u>	
Net position - End of year				<u>\$ 10,398,043</u>	

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Schedule of Property Tax Transactions and Outstanding Balances

Year Ended June 30, 2022

<i>Fiscal Year</i>	Property Taxes Receivable July 1, 2021	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	Property Taxes Receivable June 30, 2022
2022-2022	\$ -	\$ 2,651,399	\$ (74,311)	\$ (17,683)	- \$	(2,529,472) \$	29,933
2020-2021	26,659	-	101	(3,545)	-	(7,417)	15,799
2019-2020	16,950	-	-	(147)	-	(5,632)	11,171
2018-2019	12,230	-	39	(1,430)	-	(2,527)	8,311
2017-2018	12,368	-	-	(139)	-	(11,675)	554
2016-2017	1,010	-	-	(154)	-	(334)	523
2015-2016	555	-	-	(145)	-	(220)	190
Prior	257	-	-	(9)	-	(41)	207
Totals	\$ 70,029	\$ 2,651,399	\$ (74,171)	\$ (23,252)	- \$	(2,557,318) \$	66,688

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

Schedule of Future Debt Service Requirements

Year Ended June 30, 2022

Maturing During Year Ending	Bank of Eastern Oregon Loan Refinance		Bank of Eastern Oregon Remodel Loan		GEODC/Morrow County Irrigon Clinic Remodel		GEODC/Morrow County House Loan		GEODC/Morrow County Church Loan		Bank of Eastern Oregon Boardman Building Loan		GEODC/Morrow County Boardman Building Loan		Bank of Eastern Oregon Procedure Room Remodel Loan		Bank of Eastern Oregon Omniceil & Ultrasound Loan		Bank of Eastern Oregon IMC Expansion Loan		Bank of Eastern Oregon Boardman Ambulance Loan	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 26,322	\$ 32,058	\$ 48,678	\$ 1,242	\$ 9,492	\$ 96	\$ 7,924	\$ 2,756	\$ 6,391	\$ 882	\$ 17,303	\$ 3,926	\$ 9,966	\$ 809	\$ 9,778	\$ 63	\$ 78,298	\$ 2,221	\$ 45,060	\$ 14,044	\$ 29,820	\$ 2,968
2024	27,934	31,009	818	5	-	-	8,206	2,474	6,488	786	18,008	3,221	10,116	659	-	-	6,718	25	47,130	11,974	31,077	1,711
2025	29,204	29,739	-	-	-	-	8,497	2,182	6,586	688	18,008	2,488	10,269	506	-	-	-	-	49,295	9,809	24,118	421
2026	30,439	28,504	-	-	-	-	8,800	1,880	6,685	588	18,742	1,724	10,424	351	-	-	-	-	51,560	7,544	-	-
2027	31,727	27,216	-	-	-	-	9,113	1,567	6,786	487	20,300	930	10,582	193	-	-	-	-	53,928	5,175	-	-
2028-2032	179,790	114,924	-	-	-	-	39,755	2,910	28,737	909	13,658	162	7,144	40	-	-	-	-	85,545	3,083	-	-
2033-2037	221,276	73,439	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2038-2042	251,034	41,969	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 797,726	\$ 378,858	\$ 49,496	\$ 1,247	\$ 9,492	\$ 96	\$ 82,295	\$ 13,769	\$ 61,673	\$ 4,340	\$ 106,019	\$ 12,451	\$ 58,501	\$ 2,558	\$ 9,778	\$ 63	\$ 85,016	\$ 2,246	\$ 332,518	\$ 51,629	\$ 85,015	\$ 5,100

Maturing During Year Ending	Bank of Eastern Oregon Boilers Loan		Totals	
June 30,	Principal	Interest	Principal	Interest
2023	\$ 27,539	\$ 2,429	\$ 316,571	\$ 63,495
2024	28,682	1,267	185,177	53,131
2025	14,775	180	160,752	46,013
2026	-	-	126,650	40,591
2027	-	-	132,436	35,568
2028-2032	-	-	354,629	122,028
2033-2037	-	-	221,276	73,439
2038-2042	-	-	251,034	41,969
Totals	\$ 70,996	\$ 3,876	\$ 1,748,525	\$ 476,234

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the the statement of net position, and the statements of revenues, expenses, and changes in net position and cash flows of (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

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*.

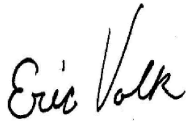
Purpose of This Report

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 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.



Wipfli LLP

By:



Eric Volk, CPA Oregon Municipal Auditor, Lic# 1637

November 15, 2022
Spokane, Washington

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

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

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District") as of and for the year ended June 30, 2022, and have issued our report thereon dated November 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

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

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

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

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

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

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



Wipfli LLP

By:



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

November 15, 2022
Spokane, Washington

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Audit Comments and Disclosures Required by State Regulations
Year Ended June 30, 2022

Accounting Records

The records of the District are adequate for audit purposes.

Adequacy of Collateral Securing Depository Balance

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

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

As of June 30, 2022, the District did not maintain any uncollateralized deposits and, therefore, appears to be in compliance with collateral requirements.

Indebtedness

The District, during the year ended 2022, appeared to be in compliance with statutory requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness.

Budget and Oregon Local Budget Law Compliance

The budget documents related to Morrow County Health District for 2020, 2021, and 2022 were reviewed. The District appears to have substantially complied with the legal requirements related to the preparation, adoption, and execution of the budget for the year ended June 30, 2022, and preparation and adoption of the budget for the upcoming fiscal year.

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

Insurance and Fidelity Bond Coverage

The District's insurance policies appear to be in force. We are not competent, by training, to state whether the insurance coverage in force at June 30, 2022, was adequate. The District does review insurance coverage annually with its insurance agent.

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

Audit Comments and Disclosures Required by State Regulations (Continued)

Year Ended June 30, 2022

Programs Funded From Outside Sources

During the year ended June 30, 2022, the District complied, in all material respects, with laws, regulations, contracts, and grants pertaining to programs funded from outside sources. Additional comments may be noted in our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on pages 43 and 44 of this report.

Investment of Public Funds

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

Public Contracts and Purchasing

Pursuant to ORS Chapter 279, the District has followed procedures of obtaining bids and cost estimates prior to the acquisition of property and equipment to ensure that such improvements and equipment are acquired at the lowest reasonable cost. The District was in substantial compliance with the provisions of ORS Chapter 279 during the year ended June 30, 2022.

Federal and State Grants

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