

Curry Health District

Basic Financial Statements and Independent Auditors' Reports

June 30, 2023 and 2022



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

**Curry Health District
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INTRODUCTORY SECTION

**Curry Health District
Governing Board and Principal Employee
June 30, 2023 and 2022**

Members of the Board of Directors as of July 1, 2022:

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

Curry Health District has designated the following registered agent and office as of July 1, 2022.

| | |
|------------------|-------------------|
| Registered agent | Virginia Williams |
|------------------|-------------------|

The above individuals can be contacted at the address below:

94220 Fourth St.
Gold Beach, Oregon 97444

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Curry Health District
Gold Beach, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Curry Health District (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended June 30, 2023. We issued a similar report for the year ended June 30, 2022, dated December 12, 2022. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 16, 2023, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
November 16, 2023

**Curry Health District
Management's Discussion and Analysis
June 30, 2023 and 2022**

This "Discussion and Analysis" provides an overview of the financial activities of Curry Health District (the District) for the fiscal years ended June 30, 2023, 2022, and 2021. It should be read in conjunction with the District's financial statements that follow.

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

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

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

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

The Statement of Cash Flows

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

The District's Services

In fiscal year 2023, the District operated several healthcare facilities in Curry County, Oregon:

- A Rural Health Clinic in Port Orford – with 1,936 clinic and 677 ancillary visits
- Curry General Hospital in Gold Beach, a critical access hospital – with 4,595 emergency room visits, 501 hospital admissions, 7,155 clinic visits, 29,956 ancillary service (radiology, lab, therapy) visits, and 2,129 surgical procedures
- Curry Medical Center (CMC) in Brookings – with 25,405 clinic visits, 11,934 emergency room visits, and 26,237 ancillary service visits
- The District brought on five providers in FY2023, one MD on a per diem basis, and four mid-level providers between December 2022 and March 2023. One provider left the District in January 2023.
- In fiscal year 2023, 42 percent of the District's cash revenue was from traditional Medicare, 35 percent from commercial insurers, 20 percent Medicaid (OMAP), and 3 percent from patients.

**Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2023 and 2022**

Significant Events and Initiatives

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

- The following Medicare cost report adjustments took place during the fiscal year:

| | |
|----------------|---|
| \$ 41,686 | 2019 Final Audit |
| <u>434,754</u> | 2022 Cost Report Settlement |
| \$476,440 | Net amount received in cost report adjustments throughout fiscal year |

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

- Accountable Care Organization (ACO) Membership
- Electronic Medical Record (EMR) Change from CPSI to Epic
- Enterprise Resource Planning (ERP) Change effective July 10, 2023 (required before converting EMR to Epic)
- CHN Chemo/Infusion Center
- Master Facilities Planning
- Work Force Housing

Risks

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

Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2023 and 2022

Table 1: Statements of Net Position:

| | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|
| <i>Assets</i> | | | |
| Current assets | \$ 39,688,740 | \$ 38,028,741 | \$ 30,924,107 |
| Capital assets, net | 38,290,916 | 37,734,065 | 38,318,927 |
| Other noncurrent assets | 1,549,263 | 1,453,917 | 856,172 |
| Total assets | \$ 79,528,919 | \$ 77,216,723 | \$ 70,099,206 |
| <i>Liabilities</i> | | | |
| Current liabilities | \$ 6,073,592 | \$ 7,438,882 | \$ 6,251,010 |
| Noncurrent liabilities | 36,608,500 | 36,796,353 | 42,114,489 |
| Total liabilities | 42,682,092 | 44,235,235 | 48,365,499 |
| <i>Net position</i> | | | |
| Net investment in capital assets | 19,811 | (940,851) | (852,785) |
| Restricted | 1,049,263 | 953,917 | 856,172 |
| Unrestricted | 35,777,753 | 32,968,422 | 21,730,320 |
| Total net position | 36,846,827 | 32,981,488 | 21,733,707 |
| Total liabilities and net position | \$ 79,528,919 | \$ 77,216,723 | \$ 70,099,206 |

Curry Health District
Management's Discussion and Analysis (Continued)
June 30, 2023 and 2022

Table 2: Operating Results and Changes in Net Position

Contacting the District's Financial Management

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

| | 2023 | 2022 | 2021 |
|---|---------------|---------------|---------------|
| <i>Operating revenues</i> | | | |
| Net patient service revenue | \$ 66,397,447 | \$ 59,893,929 | \$ 53,733,401 |
| Other operating revenue | 963,435 | 658,900 | 228,742 |
| Total operating revenues | 67,360,882 | 60,552,829 | 53,962,143 |
| <i>Operating expenses</i> | | | |
| Salaries, wages, and benefits | 30,833,492 | 28,677,425 | 26,358,111 |
| Professional fees | 18,621,129 | 13,379,393 | 9,640,494 |
| Depreciation and amortization | 4,238,946 | 4,211,193 | 3,552,904 |
| Supplies and other operating expenses | 10,707,959 | 8,957,679 | 8,852,861 |
| Total operating expenses | 64,401,526 | 55,225,690 | 48,404,370 |
| <i>Operating gain (loss)</i> | 2,959,356 | 5,327,139 | 5,557,773 |
| <i>Nonoperating revenues (expenses)</i> | | | |
| Taxation for bond principal and interest | 586,691 | 595,924 | 568,117 |
| Taxation for maintenance and operations | 895,365 | 846,006 | 795,062 |
| CARES Act Provider Relief Fund | - | 1,627,442 | 4,998,174 |
| COVID-19 grants | - | - | 2,501,621 |
| Interest income | 783,723 | 118,736 | 129,365 |
| Interest expense | (1,579,873) | (1,757,909) | (1,775,078) |
| Gain (loss) on disposal of capital assets | 35,000 | 17,500 | (3,193) |
| Other, net | 35,077 | 322,303 | 2,103,903 |
| Total nonoperating revenues (expenses), net | 755,983 | 1,770,002 | 9,317,971 |
| Change in net position before capital asset impairment, net of insurance settlement and gain on forgiveness of Paycheck Protection Program loan | 3,715,339 | 7,097,141 | 14,875,744 |
| Capital asset impairment, net of insurance settlement | 150,000 | (254,660) | - |
| Gain on forgiveness of Paycheck Protection Program loan | - | 4,405,300 | - |
| Change in net position | 3,865,339 | 11,247,781 | 14,875,744 |
| Net position, beginning of year | 32,981,488 | 21,733,707 | 6,857,963 |
| Net position, end of year | \$ 36,846,827 | \$ 32,981,488 | \$ 21,733,707 |

BASIC FINANCIAL STATEMENTS

Curry Health District
Basic Statements of Net Position
June 30, 2023 and 2022

| ASSETS | 2023 | 2022 |
|--|----------------------|----------------------|
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 366,842 | \$ 2,895,748 |
| Investments | 26,936,390 | 23,285,070 |
| Receivables: | | |
| Patient accounts, net | 10,293,124 | 9,998,557 |
| Estimated third-party payor settlements | 1,113,188 | 771,000 |
| Property taxes | 138,547 | 136,550 |
| Other | 11,731 | 14,575 |
| Inventories | 624,446 | 660,535 |
| Prepaid expenses | 204,472 | 266,706 |
| Total current assets | 39,688,740 | 38,028,741 |
| <i>Noncurrent assets</i> | | |
| Restricted investments - Certificates of Participation, Series 2010A reserve | 564,263 | 565,917 |
| Restricted investments - USDA loan reserve | 485,000 | 388,000 |
| Investments designated by the Board for electronic medical record system | 500,000 | 500,000 |
| Capital, lease and software right-of-use assets net of accumulated depreciation and amortization | 38,290,916 | 37,734,065 |
| Total noncurrent assets | 39,840,179 | 39,187,982 |
| Total assets | \$ 79,528,919 | \$ 77,216,723 |
| LIABILITIES AND NET POSITION | 2023 | 2022 |
| <i>Current liabilities</i> | | |
| Accounts payable | \$ 2,448,507 | \$ 3,085,699 |
| Accrued compensation and related liabilities | 1,616,529 | 2,113,969 |
| Estimated third-party payor settlements | 49,549 | 49,549 |
| Accrued interest payable | 296,402 | 311,102 |
| Current maturities of long-term debt and other noncurrent liabilities | 1,662,605 | 1,878,563 |
| Total current liabilities | 6,073,592 | 7,438,882 |
| <i>Noncurrent liabilities</i> | | |
| Long-term debt and other noncurrent liabilities, net of current maturities | 36,608,500 | 36,796,353 |
| Total noncurrent liabilities | 36,608,500 | 36,796,353 |
| Total liabilities | 42,682,092 | 44,235,235 |
| <i>Net position</i> | | |
| Net investment in capital assets | 19,811 | (940,851) |
| Restricted | 1,049,263 | 953,917 |
| Unrestricted | 35,777,753 | 32,968,422 |
| Total net position | 36,846,827 | 32,981,488 |
| Total liabilities and net position | \$ 79,528,919 | \$ 77,216,723 |

See accompanying notes to basic financial statements.

Curry Health District
Basic Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| <i>Operating revenues</i> | | |
| Net patient service revenue | \$ 66,397,447 | \$ 59,893,929 |
| Other | 963,435 | 658,900 |
| Total operating revenues | 67,360,882 | 60,552,829 |
| <i>Operating expenses</i> | | |
| Salaries and wages | 25,936,192 | 23,865,989 |
| Employee benefits | 4,897,300 | 4,811,436 |
| Professional fees and purchased services | 18,621,129 | 13,379,393 |
| Supplies | 6,175,627 | 5,150,872 |
| Utilities | 847,817 | 786,054 |
| Repairs and maintenance | 1,012,088 | 1,099,323 |
| Depreciation and amortization | 4,238,946 | 4,211,193 |
| Rent | 341,040 | 323,230 |
| Insurance | 702,454 | 637,778 |
| Other | 1,628,933 | 960,422 |
| Total operating expenses | 64,401,526 | 55,225,690 |
| <i>Operating income</i> | 2,959,356 | 5,327,139 |
| <i>Nonoperating revenues (expenses)</i> | | |
| Taxation for bond principal and interest | 586,691 | 595,924 |
| Taxation for maintenance and operations | 895,365 | 846,006 |
| Grants | 35,077 | 322,303 |
| CARES Act Provider Relief Fund | - | 1,627,442 |
| Interest income | 783,723 | 118,736 |
| Interest expense | (1,579,873) | (1,757,909) |
| Gain on disposal of capital assets | 35,000 | 17,500 |
| Total nonoperating revenues, net | 755,983 | 1,770,002 |
| Change in net position before capital asset impairment, net of insurance settlement and gain on forgiveness of Paycheck Protection Program loan | 3,715,339 | 7,097,141 |
| Capital asset impairment, net of insurance settlement | 150,000 | (254,660) |
| Gain on forgiveness of Paycheck Protection Program loan | - | 4,405,300 |
| Change in net position | 3,865,339 | 11,247,781 |
| Net position, beginning of year | 32,981,488 | 21,733,707 |
| Net position, end of year | \$ 36,846,827 | \$ 32,981,488 |

See accompanying notes to basic financial statements.

Curry Health District
Basic Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|-------------------|---------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | |
| <i>Cash flows from operating activities</i> | | |
| Receipts from and on behalf of patients | \$ 65,760,692 | \$ 58,201,810 |
| Receipts from other revenue | 966,279 | 658,900 |
| Payments to or on behalf of employees | (31,330,932) | (28,983,150) |
| Payments to suppliers and contractors | (29,867,957) | (21,307,766) |
| Net cash from operating activities | 5,528,082 | 8,569,794 |
| <i>Cash flows from noncapital financing activities</i> | | |
| Grants received | - | 500 |
| Property taxes for maintenance and operations | 893,368 | 855,659 |
| COVID-19 grant proceeds | - | 301,557 |
| CARES Act Provider Relief Fund proceeds | - | 1,577,981 |
| Net cash from noncapital financing activities | 893,368 | 2,735,697 |
| <i>Cash flows from capital and related financing activities</i> | | |
| Property taxes for bond principal and interest | 586,691 | 595,924 |
| Principal paid on long-term debt and other noncurrent liabilities | (2,332,836) | (2,400,273) |
| Interest paid | (1,594,573) | (1,770,804) |
| Purchase of capital assets | (2,831,772) | (2,274,818) |
| Insurance settlement received | 150,000 | 314,804 |
| Capital grant | 35,077 | 20,246 |
| Net cash from capital and related financing activities | (5,987,413) | (5,514,921) |
| <i>Cash flows from investing activities</i> | | |
| Interest received | 783,723 | 118,736 |
| Purchase of investments | (3,746,666) | (6,567,344) |
| Net cash from investing activities | (2,962,943) | (6,448,608) |
| Net change in cash and cash equivalents | (2,528,906) | (658,038) |
| Cash and cash equivalents, beginning of year | 2,895,748 | 3,553,786 |
| Cash and cash equivalents, end of year | \$ 366,842 | \$ 2,895,748 |

See accompanying notes to basic financial statements.

Curry Health District
Basic Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|--|---------------------|---------------------|
| <i>Reconciliation of Operating Income to Net</i> | | |
| <i>Cash from Operating Activities</i> | | |
| Operating income | \$ 2,959,356 | \$ 5,327,139 |
| <i>Adjustments to reconcile operating income to net cash from operating activities</i> | | |
| Depreciation and amortization | 4,238,946 | 4,211,193 |
| Provision for bad debts | 1,731,889 | 1,649,556 |
| (Increase) decrease in assets: | | |
| Receivables: | | |
| Patient accounts, net | (2,026,456) | (2,943,224) |
| Estimated third-party payor settlements | (342,188) | (448,000) |
| Other | 2,844 | - |
| Inventories | 36,089 | (56,626) |
| Prepaid expenses | 62,234 | (4,432) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (637,192) | 1,090,364 |
| Accrued compensation and related liabilities | (497,440) | (305,725) |
| Estimated third-party payor settlements | - | 49,549 |
| Net cash from operating activities | \$ 5,528,082 | \$ 8,569,794 |

Noncash Capital Financing Activities

During the year ended June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in recognizing seven software assets totaling \$1,646,310.

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

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

During the year ended June 30, 2023, the District received \$35,000 in credit towards the purchase of equipment from the trade in of existing equipment.

See accompanying notes to basic financial statements.

Curry Health District
Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

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

a. Reporting Entity

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

The District also has dual status as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code. The District is exempt from federal income tax.

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

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

b. Summary of Significant Accounting Policies

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

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

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

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

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

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

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

b. Summary of Significant Accounting Policies (continued)

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

Restricted and designated noncurrent investments – Restricted investments consist of amounts restricted for debt reserves. The debt reserve funds are for the Certificates of Participation, Series 2010A bond, and the USDA Rural Development loan. The Board has also designated investments for an electronic medical record system.

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

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

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

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

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

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

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

b. Summary of Significant Accounting Policies (continued)

Reclassifications – Certain items included in the accompanying 2022 financial statements have been reclassified to conform to the 2023 presentation, with no effect on the previously reported change in net position.

Subsequent events – The District has evaluated subsequent events through November 16, 2023, the date on which the financial statements were available to be issued.

Changes in accounting principle – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use subscription asset — an intangible asset — and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA.

When the District adopted GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, the District elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. Adoption of the standard required the District to recognize subscription liabilities of \$1,646,310 and assets of \$1,880,576 as of July 1, 2022. The adoption had no material impact on the statement of revenues, expenses, and changes in net position.

The District adopted GASB No. 96 during the year ended June 30, 2023. The District did not restate the financial statements for the year ended June 30, 2022, for GASB No. 96 due to management's determination that the restatement would not provide significant benefit to the financial statement users.

2. Bank Deposits and Investments:

As of June 30, 2023 and 2022, the District had deposits invested in various financial institutions in the form of operating cash, cash equivalents, and certificates of deposits in the amounts of \$1,127,428 and \$3,350,460, respectively. The District is required by Oregon Revised Statutes (ORS) Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain “qualified” financial institutions. As of and for the years ended June 30, 2023 and 2022, all of the District's deposits in financial institutions in excess of FDIC coverage were maintained at “qualified” financial institutions.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

2. Bank Deposits and Investments (continued):

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

3. Investments:

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

| 2023 | | | | | | Investment Ratings |
|--|----------------------|--------------------------------|-------------------|-------------|-----------------------|-----------------------|
| | Fair Value | Investment Maturities in Years | | | | |
| | | Less than 1 | 1 to 5 | Over 5 | | |
| Investment in Local Government Investment Pool | \$ 27,794,945 | \$ 27,794,945 | \$ - | \$ - | Not applicable | |
| Certificates of deposit | 126,445 | 126,445 | - | - | Not applicable | |
| Short-term money market | 564,263 | 564,263 | - | - | Not applicable | |
| Total investments | \$ 28,485,653 | \$ 28,485,653 | \$ - | \$ - | | |
| | | | | | | |
| Investments included in current assets | \$ 26,936,390 | | | | | |
| Investments included in noncurrent assets | 1,549,263 | | | | | |
| Total investments | <u>\$ 28,485,653</u> | | | | | |
| 2022 | | | | | | |
| | Fair Value | Investment Maturities in Years | | | Investment Ratings | |
| | | Less than 1 | 1 to 5 | Over 5 | | |
| Investment in Local Government Investment Pool | \$ 24,048,033 | \$ 24,048,033 | \$ - | \$ - | Not applicable | |
| Certificates of deposit | 125,037 | - | 125,037 | - | Not applicable | |
| Short-term money market | 565,917 | 565,917 | - | - | Not applicable | |
| Total investments | \$ 24,738,987 | \$ 24,613,950 | \$ 125,037 | \$ - | | |
| | | | | | | |
| Investments included in current assets | \$ 23,285,070 | | | | | |
| Investments included in noncurrent assets | 953,917 | | | | | |
| Total investments | <u>\$ 24,238,987</u> | | | | | |

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

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

3. Investments (continued):

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2023:

- Certificates of deposit of \$126,445 are valued using observable inputs (Level 2).

The District had the following recurring fair value measurements as of June 30, 2022:

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

Local Government Investment Pool – The investment in the Local Government Investment Pool (LGIP) is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council, with advice from the Treasurer and Oregon Short-Term Fund Board, adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2023, the policy limited investments to Grade “A” investments including but not limited to U.S. Treasury, U.S. Agencies, corporate bonds, commercial paper, and foreign governments. A portion of the assets invested in the LGIP at June 30, 2023 and 2022, are included in cash and cash equivalents on the statements of net position.

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

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

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

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

Restricted investments – Restricted investments as of June 30, 2023 and 2022, were held by a trustee under bond indenture agreement, and held by a trustee for the USDA debt reserve. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income.

Board designated assets – Designated investments as of June 30, 2023 and June 30, 2022, were designated by the board for the acquisition of a new electronic medical record system. The board may use these investments for other uses as its discretion.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

4. Patient Accounts Receivable:

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

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

| | 2023 | 2022 |
|--|----------------------|---------------------|
| Receivables from patients and other insurance carriers | \$ 6,053,838 | \$ 6,399,674 |
| Receivables from Medicare | 2,931,311 | 2,393,346 |
| Receivables from Medicaid | 2,116,034 | 2,013,832 |
| Total patient accounts receivable | 11,101,183 | 10,806,852 |
| Less allowance for uncollectible accounts | 808,059 | 808,295 |
| Patient accounts receivable, net | \$ 10,293,124 | \$ 9,998,557 |

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

5. Property Taxes:

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

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

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

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

| | |
|---------------------------------------|------------|
| Land improvements | 5-25 years |
| Buildings and improvements | 5-40 years |
| Fixed equipment | 3-30 years |
| Movable equipment | 3-20 years |
| Lease right-of-use assets – Buildings | 2-5 years |
| Lease right-of-use assets – Equipment | 2-5 years |
| Software right-of-use assets | 1-5 years |

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

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

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

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

| | Balance June 30, 2022 | Additions | Retirements | Transfers | Balance June 30, 2023 |
|--|-----------------------------|-------------------|-------------|-------------|-----------------------------|
| <i>Capital assets not being depreciated or amortized</i> | | | | | |
| Land | \$ 2,699,194 | \$ - | \$ - | \$ - | \$ 2,699,194 |
| Construction in progress | 1,220,145 | 469,379 | - | (1,215,144) | 474,380 |
| Total capital assets not being depreciated or amortized | 3,919,339 | 469,379 | - | (1,215,144) | 3,173,574 |
| <i>Capital assets being depreciated or amortized</i> | | | | | |
| Land improvements | 3,363,181 | - | - | - | 3,363,181 |
| Buildings and improvements | 29,591,449 | 1,181,632 | - | 1,215,144 | 31,988,225 |
| Fixed equipment | 12,104,924 | - | (154,900) | - | 11,950,024 |
| Movable equipment | 12,840,743 | 1,210,860 | (8,767) | - | 14,042,836 |
| Lease right-of-use assets - Building | 329,774 | - | - | - | 329,774 |
| Lease right-of-use assets - Equipment | 2,711,530 | 4,901 | (1,019,791) | - | 1,696,640 |
| Software right-of-use assets | - | 1,929,025 | - | - | 1,929,025 |
| Total capital assets being depreciated or amortized | 60,941,601 | 4,326,418 | (1,183,458) | 1,215,144 | 65,299,705 |
| <i>Less accumulated depreciation and amortization for:</i> | | | | | |
| Land improvements | 820,941 | 197,572 | - | - | 1,018,513 |
| Buildings and improvements | 10,473,065 | 1,463,678 | - | - | 11,936,743 |
| Fixed equipment | 4,001,277 | 657,150 | (154,900) | - | 4,503,527 |
| Movable equipment | 9,972,236 | 1,107,025 | (8,767) | - | 11,070,494 |
| Lease right-of-use assets - Building | 90,175 | 90,175 | - | - | 180,350 |
| Lease right-of-use assets - Equipment | 1,769,181 | 516,435 | (1,019,791) | - | 1,265,825 |
| Software right of use assets | - | 206,911 | - | - | 206,911 |
| Total accumulated depreciation or amortization | 27,126,875 | 4,238,946 | (1,183,458) | - | 30,182,363 |
| Total capital assets being depreciated and amortized, net | 33,814,726 | 87,472 | - | 1,215,144 | 35,117,342 |
| Capital assets, net | \$ 37,734,065 | \$ 556,851 | \$ - | \$ - | \$ 38,290,916 |

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

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

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

Construction in progress at June 30, 2023, consists of security glass, siding, and a new chiller. These projects are expected to be complete in December 2023 with remaining total cost to complete \$590,000. Also included in construction in progress is the 10 percent deposit for the EPIC implementation. The remaining estimated cost for the conversion is \$2,923,000, and it is expected to go live in September 2024.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

7. Long-term Debt, Lease, and Other Noncurrent Liabilities:

A schedule of balances and changes in the District's long-term debt, lease liabilities, and software subscription liabilities follows:

| | Balance June 30, 2022 | Additions | Reductions | Balance June 30, 2023 | Amounts Due Within One Year |
|--|-----------------------------|------------------|--------------------|-----------------------------|-----------------------------------|
| Certificates of Participation, Series 2010A | \$ 9,455,000 | \$ - | \$ (490,000) | \$ 8,965,000 | \$ 520,000 |
| Series 2010A discount | (89,847) | - | 11,220 | (78,627) | - |
| GO bonds, Series 2015 | 8,025,000 | - | (325,000) | 7,700,000 | 335,000 |
| USDA loan | 20,153,464 | - | (274,101) | 19,879,363 | 283,830 |
| Siemens MRI | 177,298 | - | (177,298) | - | - |
| Celtic No.4 lease liability | 205,458 | - | (205,458) | - | - |
| Other lease liabilities | 748,544 | - | (408,052) | 340,492 | 178,103 |
| Software subscription liabilities | - | 1,646,310 | (181,432) | 1,464,878 | 345,672 |
| Total long-term debt and other noncurrent liabilities | \$ 38,674,917 | 1,646,310 | (2,050,121) | 38,271,106 | 1,662,605 |

| | Balance June 30, 2021 | Additions | Reductions | Balance June 30, 2022 | Amounts Due Within One Year |
|--|-----------------------------|------------------|--------------------|-----------------------------|-----------------------------------|
| Certificates of Participation, Series 2010A | \$ 9,915,000 | \$ - | \$ (460,000) | \$ 9,455,000 | \$ 490,000 |
| Series 2010A discount | (101,571) | - | 11,724 | (89,847) | - |
| GO bonds, Series 2015 | 8,335,000 | - | (310,000) | 8,025,000 | 325,000 |
| USDA loan | 20,418,169 | - | (264,705) | 20,153,464 | 274,101 |
| Siemens MRI | 474,585 | - | (297,287) | 177,298 | 177,297 |
| Celtic No. 4 lease liability | - | 579,399 | (373,941) | 205,458 | 205,458 |
| Other lease liabilities | 130,529 | 1,324,110 | (706,095) | 748,544 | 406,707 |
| Paycheck Protection Program | 4,405,300 | - | (4,405,300) | - | - |
| Total long term-debt and other noncurrent liabilities | 43,577,012 | 1,903,509 | (6,805,604) | 38,674,917 | 1,878,563 |

Certificates of Participation, Series 2010A – In March 2010, the District issued the Certificates of Participation, Series 2010A in the amount of \$13,495,000, net of an original issue discount of \$262,874. The proceeds from the Certificates of Participation, Series 2010A were used to build and provide equipment for a medical office building in Brookings, Oregon – Curry Medical Center (CMC). The Certificates of Participation, Series 2010A are secured by the financed assets pursuant to a deed of trust and require annual principal payments each January 1 ranging from \$520,000 to \$1,040,000. The Certificates of Participation, Series 2010A bear interest at rates ranging from 6.20 percent to 7 percent, payable semiannually each January 1 and July 1, through January 1, 2035. The Certificates of Participation, Series 2010A, maturing on or after January 1, 2021, are subject to optional prepayment on January 1, 2020, and on each July 1 and January 1 thereafter, at a prepayment price of 100 percent of the principal amount of such Certificates of Participation, Series 2010A, to be redeemed, plus accrued interest to the date of prepayment. Under the terms of the Certificates of Participation, Series 2010A agreement, the District is required to maintain certain deposits with a trustee. Such deposits are included with restricted investments in the financial statements. The agreement also requires that the District satisfy certain levels of insurance.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

7. Long-term Debt, Lease, and Other Noncurrent Liabilities (continued):

General Obligation (GO) Bond, Series 2015 – In August 2015, the District issued the GO Bond, Series 2015 in the amount of \$10,000,000. The proceeds from the GO Bond, Series 2015 were used in the construction of a critical access facility. The GO Bond, Series 2015 bears interest at 3.63 percent and requires principal payments ranging from \$335,000 to \$350,000 through June 2025. The GO Bond, Series 2015 is subject to mandatory tender for purchase by the District, at a purchase price equal to the outstanding principal balance plus accrued interest to the date of purchase. The dates of purchase are June 15, 2025 and June 15, 2035, if the District receives a waiver at the first purchase date. Outstanding principal balances as of the purchase dates are scheduled to be \$7,015,000 and \$2,770,000, respectively. If waivers are granted for both purchase dates, principal payments will range from \$360,000 to \$595,000 through June 2040 with the interest rate adjusting as disclosed in the GO Bond, Series 2015 agreement.

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

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

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

Siemens MRI Loan – In 2015, the District entered into a financing agreement with Siemens Public, Inc., for an MRI in the amount of \$1,948,059 that was paid in full as of June 30, 2023.

Celtic No. 4 lease liability – The District recognized Celtic No. 4 lease liability in the amount of \$579,399 with the implementation of GASB No. 87 in the year ended June 30, 2022. The liability was paid in full as of June 30, 2023.

Other lease liabilities – The District recognized other lease liabilities in the amount of \$1,324,110 with the implementation of GASB No. 87, in the year ended June 30, 2022. This is comprised of both equipment and building assets that have interest rates and payment amounts that are varied.

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

7. Long-term Debt, Lease, and Other Noncurrent Liabilities (continued):

Software subscription liabilities – The District recognized software subscription liabilities in the amount of \$1,646,310 with the implementation of GASB No. 96, described in Note 1. This is comprised of assets that have interest rates and payment amounts that are varied.

Scheduled principal and interest payments are as follows:

| Years Ending June 30, | Bonds and Notes Payable | | |
|--------------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2024 | \$ 1,138,830 | \$ 1,562,049 | \$ 2,700,879 |
| 2025 | 1,193,906 | 1,508,613 | 2,702,519 |
| 2026 | 1,249,343 | 1,452,471 | 2,701,814 |
| 2027 | 1,310,151 | 1,390,570 | 2,700,721 |
| 2028 | 1,371,346 | 1,325,462 | 2,696,808 |
| 2029-2033 | 7,984,132 | 5,514,621 | 13,498,753 |
| 2034-2038 | 6,745,368 | 3,432,593 | 10,177,961 |
| 2039-2043 | 3,742,953 | 2,378,877 | 6,121,830 |
| 2044-2048 | 3,064,604 | 1,823,166 | 4,887,770 |
| 2049-2053 | 3,650,475 | 1,237,305 | 4,887,780 |
| 2054-2058 | 4,348,623 | 541,157 | 4,889,780 |
| 2059-2063 | 744,632 | 12,940 | 757,572 |
| Total | \$ 36,544,363 | \$ 22,179,824 | \$ 58,724,187 |

| Years Ending June 30, | Lease Liabilities | | |
|--------------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2024 | \$ 178,103 | \$ 12,783 | \$ 190,886 |
| 2025 | 110,082 | 5,047 | 115,129 |
| 2026 | 52,307 | 1,361 | 53,668 |
| Total | \$ 340,492 | \$ 19,191 | \$ 359,683 |

| Years Ending June 30, | Software Subscription Liabilities | | |
|--------------------------|-----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2024 | \$ 345,672 | \$ 67,961 | \$ 413,633 |
| 2025 | 303,856 | 50,148 | 354,004 |
| 2026 | 330,785 | 34,389 | 365,174 |
| 2027 | 359,551 | 20,595 | 380,146 |
| 2028 | 125,014 | 2,175 | 127,189 |
| Total | \$ 1,464,878 | \$ 175,268 | \$ 1,640,146 |

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

8. Defined Contribution Retirement Plan:

Eligible employees may make elective contributions to the District's defined contribution retirement plan, Curry Health District 403(b) Plan (the Plan). The District made matching contributions of approximately \$240,000 and \$217,000 for the years ended June 30, 2023 and 2022, respectively. Participants are immediately vested in their own contributions to the Plan and vest in the District's contributions at a rate of 20 percent per year over five years of service. The Plan is administered by the District and can be amended or terminated by the District at any time. Forfeitures of nonvested contributions are used to reduce plan expenses.

Participant contributions to the Plan during the years ended June 30, 2023 and 2022, were approximately \$1,057,000 and \$990,000, respectively.

9. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. The District's provisions for bad debts and writeoffs have not changed significantly from prior years. The District has not changed its charity care or uninsured discount policies during the years ended June 30, 2023 or 2022. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Patient service revenue (net of contractual adjustments and discounts): | | |
| Medicare | \$ 28,696,713 | \$ 24,163,963 |
| Medicaid | 13,989,033 | 12,754,213 |
| Other third-party payors | 24,099,134 | 23,096,901 |
| Patients | 1,936,881 | 1,970,109 |
| | 68,721,761 | 61,985,186 |
| Less: | | |
| Charity care | 592,425 | 441,701 |
| Provision for bad debts | 1,731,889 | 1,649,556 |
| Net patient service revenue | \$ 66,397,447 | \$ 59,893,929 |

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

9. Net Patient Service Revenue (continued):

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

- *Medicare* – The District is classified as a critical access hospital and is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the District and subject to audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.
- *Medicaid* – For patients covered by Medicaid managed care insurance, inpatient and outpatient services are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. For all other Medicaid patients, the District is reimbursed at cost for most hospital and physician services, with final settlement determined after submission of annual cost reports by the District and review thereof by the Oregon Health Authority. The Oregon Health Authority's administrative procedures preclude final determination of amounts due to the District for such services until after the District's annual cost report is audited or otherwise reviewed or settled upon by Oregon Health Authority. The fee for Service Medicaid is transitioning to a prospective payment program in January 2024. The District is still evaluating the impact of this change.

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

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Due to differences between original estimates and final settlements or revised estimates, net patient service revenue increased by approximately \$3,000 and \$101,000 in 2023 and 2022, respectively.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2023 and 2022, were approximately \$321,000 and \$229,000, respectively.

10. CARES Act Provider Relief Fund:

The District received \$6,637,000 of Provider Relief Funds in total during the years ended June 30, 2020, 2021 and 2022. These funds were required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District recorded these funds as deferred grant revenue until eligible expenses or lost revenues were recognized. During the year ended June 30 2022, the District recognized \$1,627,442 of grant revenue from these funds. The District had \$-0- remaining in 2023 and 2022 to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

11. Risk Management and Contingencies:

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

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

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

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

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

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

Curry Health District
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2023 and 2022

12. Concentrations:

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

The mix of receivables from patients was as follows:

| | 2023 | 2022 |
|--------------------------|-------|-------|
| Medicare | 32 % | 30 % |
| Medicaid | 19 | 19 |
| Other third-party payors | 44 | 46 |
| Patients | 5 | 5 |
| | 100 % | 100 % |

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

13. Subsequent Events:

The District paid cash for the following properties subsequent to June 30, 2023:

- 94202 2nd Street, R13953, Gold Beach, OR 97444 – \$247,500
- 94209 4th Street, R16289, Gold Beach, OR 97444 – \$330,000
- 29650 Stewart Street, R15612, Gold Beach, OR 97444 – \$575,000

SUPPLEMENTAL INFORMATION

Curry Health District
Schedule of Resources and Expenditures – Budget vs. Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2023

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---|
| <i>Operating revenue</i> | | | |
| Net patient revenue | \$ 63,477,921 | \$ 66,397,447 | \$ 2,919,526 |
| Other operating revenue | 599,063 | 963,435 | 364,372 |
| Total operating revenues | 64,076,984 | 67,360,882 | 3,283,898 |
| <i>Operating expenses</i> | | | |
| Salaries and wages | 25,466,616 | 25,936,192 | (469,576) |
| Employee benefits | 5,322,753 | 4,897,300 | 425,453 |
| Contract labor | 12,679,186 | 15,478,807 | (2,799,621) |
| Professional fees | 702,628 | 667,020 | 35,608 |
| Purchased services | 4,222,171 | 3,487,390 | 734,781 |
| Supplies | 3,097,061 | 4,154,057 | (1,056,996) |
| Pharmaceuticals | 2,461,475 | 2,021,570 | 439,905 |
| Utilities | 833,408 | 847,817 | (14,409) |
| Insurance | 855,619 | 702,454 | 153,165 |
| Rent | 1,213,232 | 341,040 | 872,192 |
| Depreciation and amortization | 3,337,310 | 4,238,946 | (901,636) |
| Other expenses | 973,381 | 1,628,933 | (655,552) |
| Total operating expenses | 61,164,840 | 64,401,526 | (3,236,686) |
| <i>Operating income</i> | 2,912,144 | 2,959,356 | 47,212 |
| <i>Nonoperating revenue and expenses</i> | | | |
| Interest | (1,614,636) | (1,579,873) | 34,763 |
| Other revenues and expenses, net | 1,622,619 | 2,485,856 | 863,237 |
| Total nonoperating revenues, net | 7,983 | 905,983 | 898,000 |
| Change in net position | \$ 2,920,127 | \$ 3,865,339 | \$ 945,212 |

ADDITIONAL REQUIRED REPORTS

Curry Health District
Audit Comments and Disclosures Required by Oregon State Regulations
Year Ended June 30, 2023

Audit Comments and Disclosures Required by State Regulations

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



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Curry Health District
Gold Beach, Oregon

We have audited the basic financial statements of Curry Health District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated November 16, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements as of and for the year ended June 30, 2023, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

OAR 162-010-0230 Internal Control

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

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

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

Restriction on Use

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

DINGUS, ZARECOR & ASSOCIATES PLLC



Spokane Valley, Washington
November 16, 2023

SINGLE AUDIT

AUDITORS' SECTION

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

Board of Directors
Curry Health District
Gold Beach, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Curry Health District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DINGUS, ZARECOR & ASSOCIATES PLLC

A handwritten signature in cursive script, appearing to read "Lyle Zarecor".

Spokane Valley, Washington
November 16, 2023



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Board of Directors
Curry Health District
Gold Beach, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Curry Health District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
November 16, 2023

Curry Health District
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

_____ yes X no

• Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards:

Internal control over major programs:

• Material weakness(es) identified?

_____ yes X no

• Significant deficiency(ies) identified?

_____ yes X none reported

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

Unmodified

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

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

93.498
10.766

Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution
Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee?

 X yes _____ no

**Curry Health District
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended June 30, 2023**

Section II – Financial Statement Findings

There are no matters reported for 2023. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

There are no matters reported for 2023. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Curry Health District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Additional Award Information | Total Federal Expenditures |
|--|-----------------------------------|--|------------------------------|----------------------------|
| U.S. Department of Agriculture Direct Programs: | | | | |
| Community Facilities Loans and Grants Cluster: | | | | |
| Community Facilities Loans and Grants | 10.766 | | | \$ 20,153,464 |
| U.S. Department of Health and Human Services Pass-through Programs From: | | | | |
| Oregon Health & Sciences University | | | | |
| Small Rural Hospital Improvement Grant Program | 93.301 | Oregon Health & Sciences University,1015654_SHIP_CURRY | | 11,290 |
| U.S. Department of Health and Human Services Direct Programs: | | | | |
| Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution | 93.498 | | COVID-19 | 1,477,981 |
| Total U.S. Department of Health and Human Services | | | | 1,489,271 |
| Total expenditures of federal awards | | | | \$ 21,642,735 |

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

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Curry Health District (the District) under programs of the federal government for the year ended June 30, 2023. Amounts reported for the Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based on the December 31, 2022, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

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

3. Direct Loan:

Nonmonetary assistance in the form of a direct loan is included in the accompanying schedule of expenditures of federal awards. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The related loan balance was \$19,879,363 at June 30, 2023.

Curry Health District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

The audit for the year ended June 30, 2022, reported no audit findings, nor were there any unresolved prior year findings for year ended June 30, 2021, or prior. Therefore, there are no matters to report in this schedule for the year ended June 30, 2023.