Financial Statements
June 30, 2023

Harney County Health District

Directory of Officials

Elected

Board of Directors:	Sharon Davis, Board Chair Ann Vloedman Dan Brown, Board Secretary Dave Ferre, Board Treasurer Shana Withee Brad Erbe

Appointed

Administrator:	Dan Grigg, CEO

Mailing Address

District:	Harney District Hospital 557 W. Washington Burns, OR 97720

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Harney County Health District
Burns, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Harney County Health District (the District) and a discretely presented component unit, Harney Hospital Foundation, 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.

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

Basis for Opinions

We conducted our audit 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 *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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, schedule of the proportionate share of the net pension liability (asset), and schedule of employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 that collectively comprise the District's financial statements. The Directory of Officials, Schedules of Resources and Expenditures – Budget vs. Actual, Schedule of Property Tax Transactions and Outstanding Balances, Statements of Net Position – Combining, and Statements of Revenues and Expenses and Changes in Net Position – Combining (supplementary information) are presented for purposes of additional analysis and are not required parts 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. Such information, excluding the Directory of Officials, 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The Directory of Officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations,* we have issued our report dated December 14, 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.

Eide Bailly LLP

Eide Bailly LLP

By:

Kevin Smith

Kevin Smith, CPA, Oregon Municipal Auditor, Lic#1527
Boise, Idaho
December 14, 2023

Harney District Hospital

557 W. WASHINGTON • BURNS, OR 97720 • 541-573-7281 • www.harneydh.com

Management's Discussion and Analysis
Fiscal year ending June 30, 2023

Management of Harney County Health District (Health District or District) provides this Discussion and Analysis of the annual financial statements. This narrative and overview is for the fiscal years ending June 30, 2023 and 2022. Please consider this information in conjunction with the District's financial statements, which follow this section.

Using This Financial Report

Management's Discussion and Analysis introduces the financial statements, provides analysis of past events, commentary on the financial statements, and information on management's plans for the coming year. The basic financial statements consist of the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. These statements will be briefly summarized in this report.

The District is a government entity, a political subdivision of the State of Oregon rendering hospital and other healthcare services to the residents of Harney County. The District operates a 25-bed acute care hospital, provides obstetric services, surgical services, emergency care, and ancillary services (laboratory, imaging, infusion, etc.). Outpatient clinic services are provided through the District-owned rural health clinic (RHC) and the NewSun Energy & HDH Specialty Care Clinic.

A seven-member Board of Directors governs the District. The members of the Board of Directors are elected for a term of four years. The Board has a duty to appoint a Chief Executive Officer and delegates the day-to-day operations of the District to the Chief Executive Officer.

The District levies and the County collects property taxes from the property owners in the County. The tax revenue is used to support the District in providing healthcare services to its members. Tax receipts represented approximately 4.3% and 3.4% of the District revenues for the years ended June 30, 2023 and 2022, respectively.

The District uses three independently balanced funds to account for all operations. The Operating Fund accounts for the operation of the Hospital, Family Care Clinic, and Specialty Care Clinic. This fund has almost all of the activity and most of the resources of Harney County Health District. The Medical Office Building Fund accounts for the operation of the Hotchkiss Building which houses the Family Care Clinic and HDH Physical Therapy. The Capital Trust Fund accounts for the funds provided to the hospital by the Hotchkiss Trust.

This trust is not owned by the District and is managed by US Bank. The earnings from the trust are used to assist in paying down the mortgage on the Medical Office Building. The results of these three funds are combined to create the financial statements of the District.

Additionally, the Harney District Hospital Foundation is a discretely presented component unit in these financial statements.

Notes to the financial statements provide additional information regarding the financial condition of the District. Management's philosophy is to provide extensive, transparent financial information that demonstrates the current financial health of the District.

Fiscal Year 2023 Overview

	2023	2022
Current and other assets	$ 20,201,767	$ 24,727,894
Capital assets	9,891,073	10,354,050
Total assets	30,092,840	35,081,944
Deferred outflow of resources	5,638,603	6,362,242
Current liabilities	3,451,941	6,403,805
Long-term liabilities	26,177,237	23,734,934
Total liabilities	29,629,178	30,138,739
Deferred inflow of resources	5,808,509	10,226,205
Invested in capital assets, net of related debt	(1,867,677)	(2,090,616)
Restricted		
Expendable for programs	12,270	11,637
Expendable for debt service	466,110	484,629
Unrestricted		
Board designated for capital improvement	3,038	2,950
Unrestricted	1,680,015	2,670,642
Total net position	$ 293,756	$ 1,079,242

Assets: For 2023, total assets decreased $4,989,104 from the prior year. Net accounts receivable decreased by $1,354,486. Cash equivalents in external investment pool decreased $1,241,333. Total current assets decreased $4,598,018. Total capital assets decreased $462,977. Depreciation expense totaled $1.3 million, which is a non-cash accounting expense.

- 2023 current assets in ratio to current liabilities was 5.6.

For 2022, total assets decreased $3,447,093 from the prior year. Net accounts receivable decreased by $505,800. Cash equivalents in external investment pool increased $115,516. Total current assets decreased $3,231,915. Total capital assets decreased $300,556. Depreciation expense totaled $1.2 million, which is a non-cash accounting expense.

- 2022 current assets in ratio to current liabilities was 3.8.

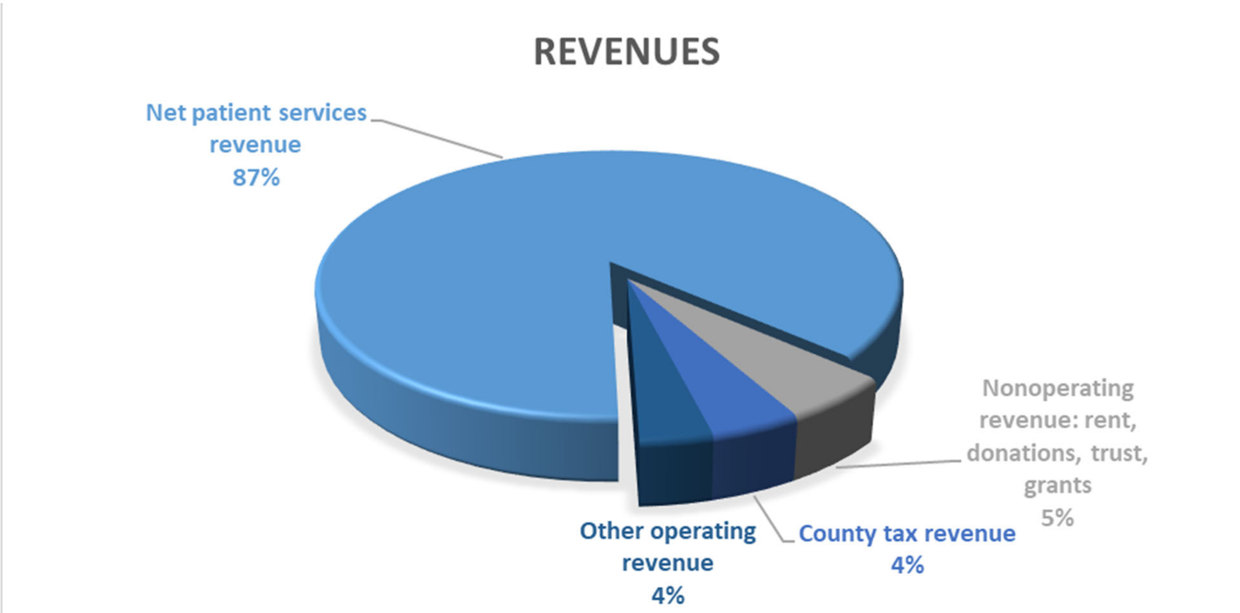
Liabilities: For 2023, total liabilities decreased $509,561. Total current liabilities decreased $2,951,864 due to provider relief funds being recognized in the current year and CMS refundable advance being paid back in the current year. Long-term debt decreased $700,991. Net pension liability increased $3,078,491.

For 2022, total liabilities decreased $14,024,932. Total current liabilities decreased $984,717. Long-term debt decreased $672,626. Net pension liability increased $10,429,075.

Net Position: The District ended the 2023 fiscal year with a total net position of $293,756.

	2023	2022
Operating Revenues		
Net patient service revenues	$ 29,658,392	$ 28,675,112
Electronic health record incentive revenue	-	25,500
Other revenues	1,158,102	1,225,782
Total operating revenues	30,816,494	29,926,394
Operating Expenses		
Salaries and wages	15,995,561	14,125,423
Employee benefits	4,999,816	4,426,758
Purchased services and supplies	12,089,946	11,254,626
Depreciation and amortization	1,280,941	1,199,270
Total operating expenses	34,366,264	31,006,077
Operating Loss	(3,549,770)	(1,079,683)
Nonoperating Revenues (Expenses)		
Property taxes	1,448,562	1,282,502
Interest income	408,982	120,698
Gain on disposal of capital assets	-	20,000
Rental income	24,150	24,850
Trust income	46,200	46,355
Nonoperating grant revenue	1,323,301	427,931
Interest expense	(509,557)	(541,910)
Nonoperating revenues, net	2,741,638	1,380,426
Excess (Deficit) of Revenues Over Expenses Before Capital Grants and Contributions	(808,132)	300,743
Capital Grants and Contributions	22,646	13,493
Change in Net Position	(785,486)	314,236
Net Position, Beginning of Year	1,079,242	765,006
Net Position, End of Year	$ 293,756	$ 1,079,242

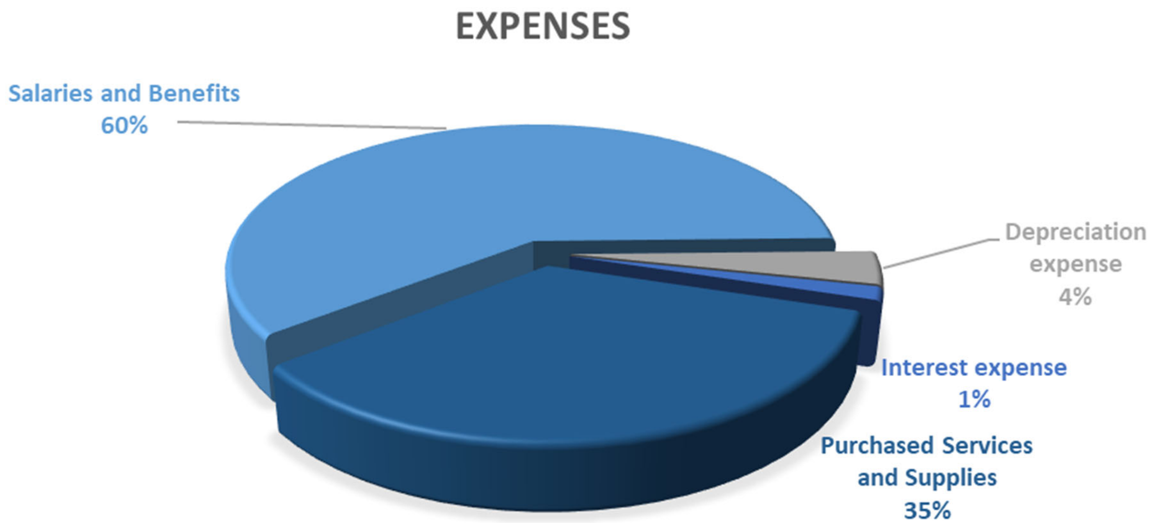
Revenues:



The primary source of revenue is from District operations which accounted for 91% of all revenue. Operating revenue consisted of $29.7 million net patient service revenue and $1.2 million other revenue. Nonoperating revenue accounted for 9% of total revenue is comprised of property taxes of $1.5 million, interest income of $408,982, rental income of $24,150, Hotchkiss Trust income of $46,200, and grant and contributions revenue of $1,323,301.

For 2022, operating revenue accounted for 94% of all revenue consisting of $28.7 million net patient service revenue and $1.2 million other revenue. Nonoperating revenue was 2% of total revenue in 2022. Nonoperating revenue is comprised of property taxes of $1.3 million, interest income of $120,698, rental income of $24,850, Hotchkiss Trust income of $46,355, and grant and contributions revenue of $427,931.

Expenses:



Virtually all expenses (98.4%) were generated by District operations. Employee salaries and benefits totaled $21.0 million and accounted for 60% of all District expenditures. Purchased services and supplies totaled $12 million and accounted for 35% of expenditures. Depreciation and amortization expense (a non-cash expense) totaled $1.3 million and interest expense for the hospital building and equipment totaled $509,557.

For 2022, 98.3% of expenses were generated by District operations. Employee salaries and benefits totaled $18.6 million and accounted for 59% of all hospital expenditures. Purchased services and supplies totaled $11 million and accounted for 35% of expenditures. Depreciation expense totaled $1.2 million and interest expense for totaled $541,910.

Capital Assets: Capital asset expenditures were $755,449 this year. The District purchased hospital beds, a birthing bed, an ultrasound system for anesthesia, a 3D mammography machine, a chemistry analyzer, a CT system, and a portable x-ray.

Debt: No new debt was added during the fiscal year. The District's outstanding debt consists primarily of hospital building and medical office building debt. The District's outstanding building debt at June 30, 2023 was $11.0 million for the hospital building and $673,000 for the medical office building.

Contacting the District's Financial Management

This report provides the District patients, taxpayers, and creditors with a general overview of the District's finances and seeks to provide accountability for the funds it receives. For questions about this report or for additional financial information, contact Harney District Hospital Administration at 557 W. Washington St. Burns, OR 97720 or call 541-413-6059.

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 337,557
Cash equivalents in external investment pool	12,881,122
Receivables	
Patient, net of estimated uncollectibles of $729,000	2,984,037
Estimated third-party payor settlements	1,597,257
Property taxes	194,978
Other	927,237
Supplies	213,615
Prepaid expenses	331,440
Total current assets	19,467,243
Noncurrent Cash Equivalents in External Investment Pool	
Internally designated for specific operating purposes and capital improvements	3,038
Restricted for outreach programs	12,270
USDA debt reserve fund	466,110
Total noncurrent cash equivalents in external investment pool	481,418
Capital Assets	
Capital assets not being depreciated	230,072
Capital assets being depreciated, net	9,661,001
Total capital assets	9,891,073
Right-to-Use Subscription IT Assets, Net	107,716
Other Assets	
Notes receivable	145,390
Total assets	30,092,840
Deferred Outflow of Resources	
Pension	5,638,603
Total assets and deferred outflows of resources	$ 35,731,443

Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Current maturities of subscription IT liabilities	$ 47,471
Current maturities of long-term debt	700,992
Accounts payable	808,475
Accrued expenses	
Salaries and wages	450,147
Paid time off	601,578
Interest	42,902
Employee benefit plans	565,053
Payroll taxes	235,323
Total current liabilities	3,451,941
Long-Term Liabilities	
Long-term subscription IT liabilities, less current maturities	64,803
Long-term debt, less current maturities	10,926,969
Net pension liability	15,185,465
Total long-term liabilities	26,177,237
Total liabilities	29,629,178
Deferred Inflows of Resources	
Refunding costs	126,231
Pension plan	5,682,278
Total deferred inflows of resources	5,808,509
Net Position	
Net investment in capital assets	(1,867,677)
Restricted	
Expendable for programs	12,270
Expendable for debt service	466,110
Unrestricted	
Board designated for capital improvement	3,038
Unrestricted	1,680,015
Total net position	293,756
Total liabilities, deferred inflows of resources, and net position	$ 35,731,443

Assets		
Cash and cash equivalents	$	434,896
Receivables		750
Endowment investments		155,862
Total assets	$	591,508
Net Assets		
Without donor restrictions	$	248,851
With donor restrictions		342,657
Total net assets	$	591,508

Operating Revenues	
Net patient service revenue, net of provision for bad debts of $1,427,193	$ 29,658,392
Other revenues	1,158,102
Total operating revenues	30,816,494
Operating Expenses	
Salaries and wages	15,995,561
Employee benefits	4,999,816
Purchased services, professional fees, and supplies	12,089,946
Depreciation and amortization	1,280,941
Total operating expenses	34,366,264
Operating Loss	(3,549,770)
Nonoperating Revenues (Expenses)	
Property taxes	1,448,562
Interest income	408,982
Rental income	24,150
Trust income	46,200
Nonoperating grant revenue	1,323,301
Interest expense	(509,557)
Net nonoperating revenues (expenses)	2,741,638
Expenses in Excess of Revenues before Capital Grants and Contributions	(808,132)
Capital Grants and Contributions	22,646
Change in Net Position	(785,486)
Net Position, Beginning of Year	1,079,242
Net Position, End of Year	$ 293,756

Support and Revenue Without Donor Restrictions	
Support and revenue	
Contributions	$ 33,710
In-kind contributions	67,657
Revenues from EOCCO	111,115
Net investment loss	(9,716)
Release from restriction	1,960
Total support and revenue	204,726
Expenses	
Contributions	19,515
Program and fundraising	20,261
General services and administrative	67,657
Total expenses	107,433
Increase in Net Assets Without Donor Restrictions	97,293
Changes in Net Assets With Donor Restrictions	
Contributions for a specific purpose	242,117
Net assets released from restriction	(1,960)
Increase in Net Assets With Donor Restrictions	240,157
Change in Net Assets	337,450
Net Assets, Beginning of Year	254,058
Net Assets, End of Year	$ 591,508

Operating Activities	
Receipts from and on behalf of patients	$ 30,796,068
Receipts from other operating revenues	1,132,818
Payments to and on behalf of employees	(21,413,134)
Payments to suppliers, contractors and others	(12,102,065)
Net Cash used for Operating Activities	(1,586,313)
Noncapital Financing Activities	
Repayment of bank overdraft	(463,167)
Receipts from taxation	1,357,518
Receipts from nonoperating grants	1,323,301
Proceeds from trust	46,200
Repayment of provider relief funds	(1,287,382)
Recoupment of advance payments	(1,447,874)
Net Cash used for Noncapital Financing Activities	(471,404)
Capital and Related Financing Activities	
Purchase of capital assets	(755,449)
Principal payments on lease obligations	(8,703)
Receipts from contributions	22,646
Principal payments on long-term debt	(672,634)
Principal payments on subscription liabilities	(43,496)
Interest paid	(527,720)
Net Cash used for Capital and Related Financing Activities	(1,985,356)
Investing Activities	
Receipts from rental properties	24,150
Issuance of notes receivable	(47,792)
Interest income	408,982
Net Cash from Investing Activities	385,340
Net Change in Cash and Cash Equivalents	(3,657,733)
Cash and Cash Equivalents, Beginning of Year	17,357,830
Cash and Cash Equivalents, End of Year	$ 13,700,097

Reconciliation of Cash and Cash Equivalents	
to the statements of net position	
Cash and cash equivalents in current assets	$ 337,557
Cash equivalents in external investment pool	12,881,122
Noncurrent cash equivalents in external investment pool	481,418
Total cash and cash equivalents	$ 13,700,097
Reconciliation of Operating Loss to Net Cash used for	
Operating Activities	
Operating loss	$ (3,549,770)
Adjustments to reconcile operating loss to net cash	
used for operating activities	
Forgiveness of employee notes receivable	65,819
Depreciation and amortization	1,280,941
Provision for bad debts and charity care	1,427,193
Pension expense	(606,429)
Deferred outflow of resources - bond refunding	(9,137)
Changes in operating assets and liabilities	
Receivables	
Patient accounts	(72,707)
Other	(16,147)
Estimated third-party payor settlements	(216,810)
Supplies	(29,080)
Prepaid expenses	(43,322)
Accounts payable	60,283
Accrued expenses	
Salaries and wages	62,465
Paid time off	(2,870)
Employee benefit plans	27,571
Payroll taxes	35,687
Net Cash used for Operating Activities	$ (1,586,313)
Supplemental Disclosure of Non-Cash Capital Financing Activity	
Subscription liability for the acquisition of a right to use subscription asset	$ 155,770

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

The District is a 25-bed acute care hospital in Burns, Oregon. The District provides health care services to patients in the Harney County, Oregon market.

The District operates under the laws of the State of Oregon for Oregon municipal corporations. On March 27, 1990 the formation of a health district was approved by Harney County voters in accordance with ORS 440.320. Effective July 1, 1990 all property was deeded to the District from Harney County and Harney County Hospital began operations as Harney County Health District. The District is supported by a permanent tax base in the amount of $1.9314 per $1,000 of assessed value of all taxable property within the District which was approved by voters on May 21, 1996. The District is governed by an elected seven-member Board of Directors that exercises governing oversight responsibility for the District which includes such duties as budget review, care of patients, and management of the facilities. As organized, the District is exempt from payment of federal and state income tax under Internal Revenue Code Section 501(a).

For financial reporting purposes, the District has included all funds, organizations, account groups, 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 exclusion would cause the District's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Discretely Presented Component Unit

Harney Hospital Foundation (the Foundation) was established for health care purposes and to advance and assist in the development, growth, and operation of the District. Funds raised are distributed to the Burns, Oregon community primarily through the purchase of property and equipment, supplies, and support. The Foundation has a December 31 year end and the balances presented are as of December 31. The Foundation has been determined to be a component unit and is presented as a discretely presented component unit in the District’s financial statements.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Restricted – expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. Restricted expendable net position at June 30, 2023 for programs totaled $12,270. Restricted expendable net position at June 30, 2023 for debt service totaled $466,110.

Restricted - nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the District. The District has none at June 30, 2023.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Budgetary Information

The District adopts an annual budget in accordance with Oregon statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e. the level at which expenses may not legally exceed appropriations) is at the fund level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statements of cash flows, the District considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

Current Cash and Cash Equivalents in External Investment Pool

Current cash and cash equivalents in external investment pool are funds without restrictions as to use.

Noncurrent Cash Equivalents in External Investment Pool

Noncurrent cash equivalents include expendable assets restricted by the United States Department of Agriculture (USDA) debt reserve fund, and internally designated assets set aside by the Board of Directors for future capital replacements and outreach programs. The USDA debt reserve fund, in accordance with the District's agreement with the USDA, is only to be used for emergency purposes with prior authorization from USDA – Rural Development, for the entire life of the loan. The Board of Directors retains control of the assets designated for future capital replacements and outreach programs, and may at its discretion subsequently use them for other purposes.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Property Tax Revenue and Receivable

Property taxes are levied by the District and collected by the Harney County Treasurer for operations. Taxes estimated to be collectible are recorded as receivables and revenue in the year of the levy. Property taxes are levied by Harney County, Oregon (the County) on the District's behalf on July 1 and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of October 1. Property tax balances due to the County after May 15 are considered delinquent. No allowance for uncollectible amounts has been recorded.

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or net realizable value and are expensed when used.

Interest Income

Interest is included in nonoperating revenues when earned.

Capital Assets

Capital asset acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Buildings	10-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from expenses in excess of revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Right-to-Use Subscription IT Assets

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is 5 years.

Subscription Liabilities

Subscription Liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the District.

Notes Receivable

The District issues notes to physicians as part of its recruitment process. Notes are repayable over a minimum of a six month period to a maximum of a three-year period and do not bear interest. The notes are issued with forgiveness provisions over the life of the note to encourage retention. It is anticipated that the balance of the notes will be forgiven.

At June 30, 2023, notes receivable from physicians and employees totaled $145,390.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has deferred amounts related to pensions. This amount is deferred and recognized as an outflow of resources in the period when the District recognizes pension expense. Deferred outflows are included in the statements of net position.

Compensated Absences

The District's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension income, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

The District reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. The District will not recognize the related revenues until a future event occurs. The deferred inflows of resources reported in the financial statements are pension plan and deferred refunding costs. The pension plan results from the difference between the expected and actual experience of the pension plan. Deferred refunding costs are amortized over the shorter of the remaining life of the refunded bonds or the refunding bonds as a component of interest expense.

Operating Revenues and Expenses

The District's statements of revenues and expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Non-exchange revenues, including revenues from property tax assessments, interest income, rental income, trust income and grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating expenses consist primarily of financing costs.

Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The District provides care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the District does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately $10,000 for the year ended June 30, 2023, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

The District may receive grants 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 that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset-an intangible asset and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of implementing this standard, the District did not recognize a right-to-use subscription asset and subscription liability as of July 1, 2022, since the SBITAs were added in the current year and there was no effect on beginning net position. The additional disclosures required by this standard are included in Note 5.

Note 2 - Net Patient Service Revenue

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

Medicare: The District is licensed as a Critical Access Hospital (CAH). The District is reimbursed for most acute care services at cost plus one percent with final settlement determined after submission of annual cost reports by the District and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The District's Medicare cost reports have been audited by the MAC through the year ended June 30, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the District's Medicare cost report, or rates as established by the Medicaid program. The District is reimbursed at a tentative rate with final settlement determined by the program based on the District's final Medicaid cost report. The District's final Medicaid settlements have been processed through the year ended June 30, 2019.

The District has also entered into payment agreements with certain commercial insurance carriers and other 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.

Concentration of gross revenues by major payor accounted for the following percentages of the District's patient service revenues for the year ended June 30, 2023:

Medicare	48%
Medicaid	23%
Commercial insurance and other third party payors	27%
Patients	2%
	100%

Laws and regulations governing the 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. The net patient service revenue for the year ended June 30, 2023, decreased approximately $100,000, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

The District participates in the Eastern Oregon Coordinated Care Organization (EOCCO), which is a Coordinated Care Organization serving Oregon Health Plan members. The District receives amounts related to the EOCCO alternative payment model/shared savings risk contract. As of June 30, 2023, there was a receivable amount of $927,237. These amounts are included in other receivables in the statements of net position. Additional EOCCO funds will be recorded as received.

Note 3 - Deposits, Investments, and Investment Income

Summary of Carrying Amounts

The carrying amounts of deposits and the Local Government Investment Pool as of June 30, 2023, is as follows:

Carrying Amount	
Cash and cash equivalents	$ 337,557
Local Government External Investment Pool	13,362,540
	$ 13,700,097

The carrying amounts of the District's deposits and investments shown above are included in the statement of net position at June 30, 2023, as follows:

Included in the following statement of net position captions	
Cash and cash equivalents	$ 337,557
Cash equivalents in external investment pool	12,881,122
Noncurrent board designated for capital improvement	3,038
Restricted for outreach programs	12,270
USDA debt reserve fund	466,110
Total	$ 13,700,097

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. State statute requires that any deposits in excess of federal depository insurance coverage limits, currently set at $250,000, may only be held in a depository qualified by the Oregon Public Funds Collateralization Program.

The District's deposits in banks at June 30, 2023, was entirely covered by federal depository insurance or by collateral as part of the Oregon Public Funds Collateralization Program.

External Investment Pool

The District is invested in the Local Government Investment Pool (LGIP), which is included in the Oregon Short-Term Fund (OSTF). The OSTF is an external investment pool, as defined in GASB Statement No. 31*, Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. The LGIP exchanges shares at $1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the net asset value of share investments at $1.00 per share, it is possible to lose money by investing in the pool.

Noncurrent investments in external investment pool consist of funds restricted in accordance with bond indenture agreements and funds internally designated by the Board for future capital asset acquisitions and outreach programs. Investments that are available for obligations classified as current liabilities are reported in current assets.

Chapter 294 of the Oregon Revised Statutes 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 specifies that investments will be limited to demand deposits with approved institutions, the Oregon Local Government Investment Pool, direct obligations of the United States and obligations guaranteed by the United States, and certificates of deposit with Oregon banks.

The District's investment in the LGIP are reported at fair value, as discussed in Note 1. At June 30, 2023, the LGIP was not rated by an independent rating agency. The District's investments in LGIP at June 30, 2023, and related maturities was as follows:

Oregon State Local Government Investment Pool	Daily	$ 13,362,540

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. State Statutes generally limit investment maturities to 18 months, or the date of anticipated use of the funds. The District does not have a formal policy in place that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District matches investment maturities with anticipated cash flow requirements.

Credit Risk

State Statutes limit the investment in bonds issued by the State of Oregon and its political subdivisions to bonds with one of the three highest credit ratings of a nationally recognized rating. State Statutes limit the investment in bonds issued by the States of California, Idaho, and Washington and political subdivisions of those states to bonds with one of the two highest credit ratings of a nationally recognized rating. The District does not have a formal policy in place that further limits credit risk. The Oregon Local Government Investment Pool does not have a rating. The Investment Pool invests as defined by State Statute.

Concentration of Credit Risk

The District does not have a formal policy in place limiting the amount that may be invested with any one bank or in any specific investment.

Note 4 - Capital Assets

Capital asset additions, transfers, retirements and balances for year ended June 30, 2023, are as follows:

	Balance June 30, 2022	Additions / Transfers	Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 230,072	$ -	$ -	$ 230,072
Construction in process	579,945	(579,945)	-	-
	810,017	(579,945)	-	230,072
Capital assets being depreciated				
Buildings	23,539,437	-	-	23,539,437
Equipment	8,181,793	1,335,395	(182,418)	9,334,770
Total capital assets being depreciated	31,721,230	1,335,395	(182,418)	32,874,207
Less Accumulated Depreciation	22,177,197	1,218,427	(182,418)	23,213,206
Capital assets being depreciated, net	9,544,033	116,968	-	9,661,001
Capital Assets, Net	$ 10,354,050	$ (462,977)	$ -	$ 9,891,073

Note 5 - Subscription-Based Information Technology Arrangements (SBITAs)

During the current year, the District recognized SBITA contracts for the use of various software. As of June 30, 2023, the value of the subscription liability was $112,274 and the subscription asset was $107,716. The District is required to make annual principal and interest payments ranging from approximately $57,700 to $22,700 through July 2026. The subscription has an interest rate of approximately 9.14%.

Right-to-use subscription IT additions, deletions, and balances for the year ended June 30, 2023, are as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Right-to-use subscription IT assets being amortized	$ -	$ 155,770	$ -	$ 155,770
Less accumulated amortization	-	(48,054)	-	(48,054)
	$ -	$ 107,716	$ -	$ 107,716

A summary of the changes in subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Subscription IT Liabilities	$ -	$ 155,770	$ (43,496)	$ 112,274	$ 47,471

Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30,	Principal	Interest
2024	$ 47,471	$ 10,262
2025	24,934	5,923
2026	19,063	3,644
2027	20,806	1,902
	$ 112,274	$ 21,731

Note 6 - Long-Term Debt

A schedule of changes in the District's long-term debt for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Bank of Eastern Oregon	$ 2,097,429	$ -	$ (212,485)	$ 1,884,944	$ 222,248
2018 Refunded State of Oregon Economic and Community Development #2	1,907,770	-	(152,285)	1,755,485	158,444
US Department of Agriculture	7,469,384	-	(154,852)	7,314,532	161,300
2018 Refunded US Bank	826,000	-	(153,000)	673,000	159,000
Total bonds and notes	$12,300,583	$ -	$ (672,622)	$ 11,627,961	$ 700,992

The terms and due dates of the District's long-term debt at June 30, 2023 are as follows:

Note payable to Bank of Eastern Oregon, due in monthly installments of $25,210, including interest at 4.5%, through October 2030. The note is collateralized by the hospital building. Outstanding balance of the note payable at June 30, 2023 was $1,884,944.

During 2018, the Hospital refunded debt in the amount of $2,476,377, due in annual principal installments of amounts ranging from $146,000 to $235,000, and semi-annual variable rate interest payments of 5.0% through December 2031. The note is collateralized by the hospital building. Outstanding balance of the note payable at June 30, 2023 was $1,755,485. The advance refunding resulting in a difference between the reacquisition price and net carrying amount of the old debt of $259,198. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations through the term of the note payable using the straight-line method. The Hospital completed its advance refunding to reduce its total debt service payments by approximately $273,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $298,000.

Revenue bond payable to the United States Department of Agriculture, due in annual installments of $411,760, including interest at 4.125%, through June 2049. The District has pledged tax revenue for satisfaction of the annual debt service requirement. Outstanding balance of the revenue bond payable at June 30, 2023 was $7,314,532.

During 2018, the Hospital refunded debt in the amount of $1,280,000, due in annual principal installments of amounts ranging from $145,000 to $179,000 and semi-annual variable interest rate payments of 3.710%, through December 2026. The note is collateralized by buildings and land. Outstanding balance on the note payable at June 30, 2023 was $673,000. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $85,000. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations through the term of the note payable using the straight-line method. The Hospital completed its advance refunding to reduce its total debt service payments over the next 8 years by approximately $176,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $106,000.

Pledged Revenues

The District has pledged future general revenues for satisfaction of the $9,000,000 United States Department of Agriculture revenue bonds issued in June 2009. Proceeds from the bonds were used for construction of the hospital building. Principal and interest on the bonds are payable through June 2049. Annual principal and interest on the bonds are expected to require 2 percent of revenues. Principal and interest paid for the current year was $466,111. Revenues totaled $43,744,717 for the year. At June 30, 2023, pledged future revenues totaled $12,581,926, which was the amount of the remaining principal and interest on the bonds.

Future anticipated schedule of long-term debt payments for all long-term debt, at anticipated amounts, are as follows:

Years Ending June 30,	Principal	Interest
2024	$ 700,992	$ 492,949
2025	749,866	467,773
2026	765,017	429,449
2027	798,870	395,872
2028	650,588	398,707
2029-2033	2,599,625	1,365,620
2034-2038	1,318,379	1,012,176
2039-2043	1,616,938	713,617
2044-2048	1,983,173	347,381
2049-2051	444,513	18,528
Total	$ 11,627,961	$ 5,642,072

Note 7 - Pension Plans

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying district employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS account, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Benefits Provided

1. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

2. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. Employer contributions for the year ended June 30, 2023 was $2,294,160, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2023 were 18.99 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the District reported a liability of $15,185,465 for its proportionate share of the net pension liability. The net pension liability as of June 30, 2023 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the District's proportion was 0.09917358 percent, which changed from the 0.10117406 percent measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $606,429. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 737,132	$ 94,699
Changes of assumptions or other inputs	2,382,681	21,768
Net difference between projected and actual earnings on pension plan investments	-	2,714,867
Changes in proportionate share	224,630	562,304
Differences between employer contributions and employer's proportionate share of system contributions	-	2,288,640
Contributions subsequent to the measurement date	2,294,160	-
Total	$ 5,638,603	$ 5,682,278

The District's contributions made subsequent to the measurement date will be recognized in the District's pension expense in the following year. The net amount of the District's remaining deferred outflows of resources and deferred inflows of resources that will be recognized in the District's pension expense in the subsequent five years in the aggregate are shown in the table below.

Years Ended June 30,	Amount
2024	$ (416,716)
2025	(867,977)
2026	(1,669,777)
2027	817,492
2028	(200,857)
	$ (2,337,835)

Actuarial Assumptions

The employer contribution rates effective July 1, 2021 through June 30, 2023 are set using the entry age normal actuarial cost method. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consistent of an amount for the normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarially accrued liabilities, which are being amortized over a fixed period with new unfunded actuarially accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 2021
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate:	2.40 percent
Long term expected rate of	6.90 percent
Discount rate	6.90 percent
Projected of salary increase	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service
Mortality	**Healthy retirees and beneficiaries:** Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. **Active members:** Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. **Disabled retirees:** Pub-2010 Disabled retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2018 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	20-year Annualized Geometric Mean
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited	1.00%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund - Marco	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund of Funds - Multistrategy	5.62%	5.06%
US Cash	-2.50%	1.76%
Total	100.00%	
Assumed Inflation - Mean		2.40%

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share	$ 26,930,108	$ 15,185,465	$ 5,355,741

Note 8 - Concentrations of Credit Risk

The District grants credit without collateral to its patient, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2023 was as follows:

Medicare	32%
Medicaid	20%
Commercial insurance and other third party payors	26%
Patients	22%
	100%

Note 9 - Contingencies

Risk Management Insurance

The District is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; 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 other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The District has professional liability insurance coverage to provide protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policy. If there are unreported incidents which result in a malpractice claim in the current year, such claims will be covered in the year the claim is reported to the insurance carrier only if the District purchases claims-made insurance in that year or the District purchases "tail" insurance to cover the claims incurred before, but reported to the insurance carrier after, cancellation or expiration of the claims-made policy.

The current malpractice insurance provides $2,000,000 per claim of primary coverage with $5,000,000 aggregate limit. There are no significant deductibles or coinsurance clauses.

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

Litigation, Claims, and Disputes

The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the District.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Collective Bargaining Agreements

As of June 30, 2023, approximately 7% of the District's employees were represented by one separate collective bargaining unit. The agreement extends through June 30, 2024.

Note 10 - Transfers

Fund	Transfers In	Transfers Out
Medical Office Building Sub-Fund	$ 46,200	$ -
Capital Trust Sub-Fund	-	(46,200)
	$ 46,200	$ (46,200)

The earnings in the capital trust fund are restricted by the trust for District capital purchases. After the construction of the medical office building, trust income has been used to pay the debt for this construction. The transfer from the operating fund was made to meet the debt payment requirements.

Required Supplementary Information
June 30, 2023

Harney County Health District

Year Ended June 30,	District's proportion of the net pension liability (asset)	District's proportionate share of the net liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total liability
2023	0.09917358%	$ 15,185,465	$ 12,884,700	117.86%	84.5%
2022	0.10117406%	12,106,974	10,421,123	116.18%	87.6%
2021	0.10326534%	22,536,049	11,992,370	187.92%	75.8%
2020	0.10425561%	18,033,724	12,581,795	143.33%	80.2%
2019	0.09605782%	14,551,495	12,516,523	116.26%	82.1%
2018	0.09562587%	12,890,403	10,757,913	119.82%	83.1%
2017	0.09187897%	13,793,167	10,350,050	133.27%	80.5%
2016	0.08710214%	5,000,936	10,317,663	48.47%	88.4%
2015	0.06738475%	(1,527,420)	9,362,004	-16.32%	103.6%
2014	0.06738475%	3,438,743	8,332,845	41.27%	92.0%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

*GASB Statement No. 68 requires ten years of information to be presented in this table.

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2023	$ 2,294,160	$ 2,294,160	$ -	$ 12,884,700	17.81%
2022	1,761,602	1,761,602	-	10,421,123	16.90%
2021	2,006,776	2,006,776	-	11,992,370	16.73%
2020	1,861,999	1,861,999	-	12,581,795	14.80%
2019	1,275,028	1,275,028	-	12,516,523	10.19%
2018	1,204,924	1,204,924	-	10,757,913	11.20%
2017	818,221	818,221	-	10,350,050	7.91%
2016	800,504	800,504	-	10,317,663	7.76%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2014/GASB-Disclosure-Information.pdf

Changes of Assumptions

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published on July 24, 2019, and can be found at:

https://www.oregon.gov/pers/Documents/2018-Exp-Study.pdf

Supplementary Information
June 30, 2023

Harney County Health District

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Net working capital, beginning of year	$ 18,957,107	$ 1,174,216	$ (17,782,891)
Net operating revenue	32,038,423	30,816,494	(1,221,929)
Property taxes	1,366,851	1,448,562	81,711
Grants/contributions/other nonoperating	496,187	1,370,097	873,910
Interest	-	408,982	408,982
Total resources	$ 52,858,568	35,218,351	$ (17,640,217)
Expenditures			
Personnel services	$ 21,991,652	19,074,784	$ 2,916,868
Materials and services	10,083,665	12,089,946	(2,006,281)
Capital outlay	1,595,937	755,450	840,487
Debt service	1,204,146	991,658	212,488
Contingencies	100,000	-	100,000
Special payments	1,950,000	-	1,950,000
Net working capital, end of year	15,933,167	1,854,927	14,078,240
Total expenditures	$ 52,858,567	34,766,765	$ 18,091,802
Resources in Excess of Expenditures		451,586	
Reconciliation of Statutory Operating Expenditures to GAAP Basis Operating Expenses			
Add net working capital, end of year		1,854,927	
Add capital asset additions		755,450	
Add long-term debt principal reductions		519,622	
Less net working capital, beginning of year		(1,174,216)	
Less pension expense		(1,920,593)	
Less depreciation and amortization		(1,181,774)	
Total effects of reconciliation		(1,146,584)	
Change in Net Position		(694,998)	
Net Position, Beginning of Year		1,174,216	
Net Position, End of Year		$ 479,218	

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Net working capital, beginning of year	$ -	$ (40,305)	$ (40,305)
Transfers from other funds	46,000	46,200	200
Total resources	$ 46,000	5,895	$ (40,105)
Expenditures			
Debt service	$ 180,806	190,521	$ (9,715)
Net working capital, end of year	-	(174,912)	174,912
Total expenditures	$ 180,806	15,609	$ 165,197
Expenditures in Excess of Resources		(9,714)	
Reconciliation of Statutory Operating Expenditures to GAAP Basis Operating Expenses			
Add net working capital, end of year		(174,912)	
Add long-term debt principal reductions		153,000	
Less net working capital, beginning of year		40,305	
Less depreciation and amortization		(99,167)	
Total effects of reconciliation		(80,774)	
Change in Net Position		(90,488)	
Net Position, Beginning of Year		(94,974)	
Net Position, End of Year		$ (185,462)	

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Trust income	$ 46,000	$ 46,200	$ 200
Expenditures			
Transfers to other funds	$ 46,000	46,200	$ (200)
Resources In Excess of Expenditures		-	
Change in Net Position		-	
Net Position, Beginning of Year		-	
Net Position, End of Year		$ -	

Fiscal Year	Uncollected Taxes June 30, 2022	2022-2023 Assessment	(Abatements) and Adjustments	Interest Collected	Discounts	Total Amount Collected	Uncollected Taxes June 30, 2023
2022-2023	$ -	$ 1,358,375	$ (2,828)	$ 459	$ (31,810)	$ (1,193,850)	$ 130,346
2021-2022	42,630	-	(11,807)	1,040	-	(19,763)	12,100
2020-2021	23,173	-	(237)	903	-	(7,692)	16,147
2019-2020	15,033	-	(229)	1,913	-	(10,215)	6,502
2018-2019	8,350	-	(220)	1,321	-	(6,442)	3,009
2017-2018	1,174	-	(214)	129	-	(392)	697
2016 and prior	13,574	-	12,848	147	-	(392)	26,177
Total	$ 103,934	$ 1,358,375	$ (2,687)	$ 5,912	$ (31,810)	$ (1,238,746)	$ 194,978

	Operating	Capital Trust	Medical Office Building	Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 337,557	$ -	$ -	$ 337,557
Cash equivalents in external investment pool	13,056,034	-	(174,912)	12,881,122
Receivables				
Patient, net of estimated uncollectibles of $729,000	2,984,037	-	-	2,984,037
Estimated third-party payor settlements	1,597,257	-	-	1,597,257
Property taxes	194,978	-	-	194,978
Other	927,237	-	-	927,237
Supplies	213,615	-	-	213,615
Prepaid expenses	331,440	-	-	331,440
Total current assets	19,642,155	-	(174,912)	19,467,243
Noncurrent Cash Equivalents in External Investment Pool				
Internally designated for specific operating purposes and capital improvments	3,038	-	-	3,038
Restricted for outreach programs	12,270	-	-	12,270
USDA debt reserve fund	466,110	-	-	466,110
Total Noncurrent cash equivalents in external investment pool	481,418	-	-	481,418
Capital Assets				
Capital assets not being depreciated	230,072	-	-	230,072
Capital assets being depreciated, net	9,032,551	-	628,450	9,661,001
Total capital assets	9,262,623	-	628,450	9,891,073
Right-to-Use Subscription IT Assets, Net	107,716	-	-	107,716
Other Assets				
Notes receivable	145,390	-	-	145,390
Total assets	29,639,302	-	453,538	30,092,840
Deferred Outflows of Resources				
Pension	5,638,603	-	-	5,638,603
Total assets and deferred outflows of resources	$ 35,277,905	$ -	$ 453,538	$ 35,731,443

	Operating	Capital Trust	Medical Office Building	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Current maturities of subscription IT liabilities	$ 47,471	$ -	$ -	$ 47,471
Current maturities of long-term debt	541,992	-	159,000	700,992
Accounts payable	808,475	-	-	808,475
Accrued expenses				
Salaries and wages	450,147	-	-	450,147
Paid time off	601,578	-	-	601,578
Interest	42,902	-	-	42,902
Employee benefit plans	565,053	-	-	565,053
Payroll taxes	235,323	-	-	235,323
Total current liabilities	3,292,941	-	159,000	3,451,941
Long-Term Liabilities				
Long-term subscription IT liabilities, less current maturities	64,803	-	-	64,803
Long-term debt, net of current maturities	10,412,969	-	514,000	10,926,969
Net pension liability	15,185,465	-	-	15,185,465
Total long-term liabilities	25,663,237	-	514,000	26,177,237
Total liabilities	28,956,178	-	673,000	29,629,178
Deferred Inflow of Resources				
Refunding costs	160,231	-	(34,000)	126,231
Pension plan	5,682,278	-	-	5,682,278
Total deferred inflow of resources	5,842,509	-	(34,000)	5,808,509
Net Position				
Net investment in capital assets	(1,857,127)	-	(10,550)	(1,867,677)
Restricted				
Expendable for programs	12,270	-	-	12,270
Expendable for debt service	466,110	-	-	466,110
Unrestricted				
Board designated for capital improvement	3,038	-	-	3,038
Unrestricted	1,854,927	-	(174,912)	1,680,015
Total net position	479,218	-	(185,462)	293,756
Total liabilities, deferred inflows of resources, and net position	$ 35,277,905	$ -	$ 453,538	$ 35,731,443

	Operating	Capital Trust	Medical Office Building	Total
Operating Revenues				
Net patient service revenue	$29,658,392	$ -	$ -	$29,658,392
Other revenues	1,158,102	-	-	1,158,102
Total operating revenues	30,816,494	-	-	30,816,494
Operating Expenses				
Salaries and wages	15,995,561	-	-	15,995,561
Employee benefits	4,999,816	-	-	4,999,816
Purchased services, professional fees, and supplies	12,089,946	-	-	12,089,946
Depreciation and amortization	1,181,774	-	99,167	1,280,941
Total operating expenses	34,267,097	-	99,167	34,366,264
Operating Loss	(3,450,603)	-	(99,167)	(3,549,770)
Nonoperating Revenues (Expenses)				
Property taxes	1,448,562	-	-	1,448,562
Interest income	408,982	-	-	408,982
Rental income	24,150	-	-	24,150
Trust income	-	46,200	-	46,200
Nonoperating grant revenue	1,323,301	-	-	1,323,301
Transfers from other funds	-	-	46,200	46,200
Transfers to other funds	-	(46,200)	-	(46,200)
Interest expense	(472,036)	-	(37,521)	(509,557)
Net nonoperating revenues (expenses)	2,732,959	-	8,679	2,741,638
Revenues in Excess of (Less Than) Expenses Before Capital Grants and Contributions	(717,644)	-	(90,488)	(808,132)
Capital Grants and Contributions	22,646	-	-	22,646
Change in Net Position	(694,998)	-	(90,488)	(785,486)
Net Position, Beginning of Year	1,174,216	-	(94,974)	1,079,242
Net Position, End of Year	$ 479,218	$ -	$ (185,462)	$ 293,756

Independent Auditor's 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*

To the Board of Directors
Harney County Health District
Burns, Oregon

We have audited, in accordance with 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 Harney County 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, and have issued our report thereon dated December 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 or significant deficiencies may exist that were not 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 entity'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.

Eide Bailly LLP

Boise, Idaho
December 14, 2023

Financial Statement Findings

None Reported.

Additional Required Reports
June 30, 2023

Harney County Health District

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-10-0000 through 162-10-0330 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.

Independent Auditor's Report Required by Oregon State Regulations

To the Board of Directors
Harney County Health District
Burns, Oregon

We have audited the basic financial statements of Harney County Health District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 14, 2023. We conducted our audit in accordance with 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 and the provisions of the Minimum Standards of 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 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330, as set forth below, 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:

OAR	Section	Instances of Non-Compliance Identified
162-010-0000	Preface	Not Applicable
162-010-0010	Definitions	Not Applicable
162-010-0020	Summary of Revenue and Expenditures	None noted
162-010-0030	General Requirements	None noted
162-010-0050	Financial Statements	None noted
162-010-0115	Required Supplementary Information (RSI)	None noted
162-010-0120	Supplementary Financial Information	None noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances / Net Position, Budget and Actual (Each Fund)	None noted

OAR	Section	Instances of Non-Compliance Identified
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not Applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None noted
162-010-0190	Other Financial or Statistical Information	Not Applicable
162-010-0200	Independent Auditor's Review of Fiscal Affairs	None noted
162-010-0230	Accounting Records and Internal Control	None noted
162-010-0240	Public Fund Deposits	None noted
162-010-0250	Indebtedness	None noted
162-010-0260	Budget	Not Applicable
162-010-0270	Insurance and Fidelity Bonds	Not Applicable
162-010-0280	Programs Funded from Outside Sources	Not Applicable
162-010-0295	Highway Funds	Not Applicable
162-010-0300	Investments	None noted
162-010-0310	Public Contracts and Purchasing	Not Applicable
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	Not Applicable
162-010-0330	Extension of Time to Deliver Audit Reports	None noted

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Report on Internal Control Over Financial Reporting

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

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Eide Bailly LLP

By:

Kevin Smith

Kevin Smith, CPA, Oregon Municipal Auditor, Lic#1527
Boise, Idaho
December 14, 2023