

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

Financial Statements and
Supplementary Information

Years Ended June 30, 2023 and 2022



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

Directory of Officials

June 30, 2023

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

Appointed

Administrator: Emily Roberts

Mailing Address

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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District"), which comprise the statements of net position as of June 30, 2023 and 2022, and the statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Morrow County Health District d/b/a Pioneer Memorial Hospital as of June 30, 2023 and 2022, and the changes in net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Morrow County Health District d/b/a Pioneer Memorial Hospital's ability to continue as a going concern for 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 opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis ("MD&A") on pages 5 through 11, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 19, 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.

Wipfli LLP

Wipfli LLP

By:

Eric Volk

Eric Volk, CPA Oregon Municipal Auditor, Lic# 1637

Spokane, Washington
October 19, 2023

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

Years Ended June 30, 2023, 2022, and 2021

Introduction

Our discussion and analysis of the Morrow County Health District (MCHD) d/b/a Pioneer Memorial Hospital's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2023, 2022, and 2021. Please read it in conjunction with the financial statements that follow this analysis.

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

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

The District is a municipal government entity. As such, the District levies and the county collects property taxes from property owners within the health district. This tax revenue is used to support the purpose of the District, which is to provide health care to the citizens. Tax support represents approximately 17% of District receipts.

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

Financial Highlights

- ⇒ The District's net position increased by \$8,317 to \$10,406,360 at June 30, 2023 and from \$10,398,043 in 2022 and \$9,683,310 in 2021.
- ⇒ Gross patient revenue increased by \$1,582,135, or 11% in 2023, and decreased by \$596,778, or 4% in 2022, and increased by \$1,679,592, or 13% in 2021 and net patient revenue increased by 21% in 2023, increased 1% in 2022, and 14% in 2021.
- ⇒ Net patient accounts receivable decreased from \$1,639,810 at June 30, 2021 to \$1,609,990 at June 30, 2022, and increased from \$1,609,990 at June 30, 2022 to \$2,141,311 at June 30, 2023.
- ⇒ Total nonoperating revenue - net, including property taxes, increased by \$1,202,339, or 27%, in 2023, decreased by \$2,357,872, or 34%, in 2022, increased by \$4,124,499, or 150%, in 2021. The increase in 2023 was primarily due to recognition of CARES Act related revenue.
- ⇒ The District's total overall operating expenses increased by \$4,588,062, or 26%, in 2023 by \$394,591, or 1%, in 2022, and \$1,841,741 or 12% in 2021.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023, 2022, and 2021

Financial Highlights (Continued)

- ⇒ Capital asset expenditures, including construction in progress, were \$617,540 during 2023. The largest costs were associated with the purchase of security implementation, and ultrasound machine.
- ⇒ The District voters approved an operating tax levy that began in fiscal year 2010. The voters approved an additional five-year operating levy in May 2014, which had an estimated five-year total tax revenue of \$2,950,000. The District recognized a total operating tax revenue of \$2,958,395 over the five years ending fiscal year 2019, which was just over the estimated amount. Voters approved an additional five-year levy in May 2019, which was approved at the same rate as the previous levy.
- ⇒ The District's total tax revenue recognized was \$3,379,550 in 2023, \$2,568,197 in 2022, and \$2,333,380 in 2021.

Using This Annual Report

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

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's net position is the difference between its assets and liabilities reported on the statement of net position.

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

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

Statements of Cash Flows

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

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023, 2022, and 2021

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position increased by \$8,317 in 2023, increased by \$714,733 in 2022, and increased by \$3,762,845 in 2021, as reported in Table 2.

Condensed financial information for the years ended June 30, 2023, 2022, and 2021, is as follows:

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

<i>June 30,</i>	2023	2022	2021	<u>2023-2022</u>		<u>2022-2021</u>	
				\$ Change	% Change	\$ Change	% Change
Assets:							
Other assets	\$ 8,552	\$ 9,807	\$ 9,955	\$ (1,255)	-12.80 %	\$ (148)	-1.49 %
Capital assets	4,826	4,945	4,863	(119)	-2.41 %	82	1.69 %
Total assets	\$13,378	\$14,752	\$14,818	\$ (1,374)	-9.31 %	\$ (66)	-0.45 %
Liabilities:							
Other liabilities	\$ 1,540	\$ 2,923	\$ 3,113	\$ (1,383)	-47.31 %	\$ (190)	-6.10 %
Long-term liabilities	1,432	1,431	2,022	1	0.07 %	(591)	-29.23 %
Total liabilities	\$ 2,972	\$ 4,354	\$ 5,135	\$ (1,382)	-31.74 %	\$ (781)	-15.21 %
Net position:							
Unrestricted	\$ 6,411	\$ 6,320	\$ 5,971	\$ 91	1.44 %	\$ 349	5.84 %
Net investment in capital assets	3,394	3,196	2,841	198	6.20 %	355	12.50 %
Restricted	601	882	871	(281)	-31.86 %	11	1.26 %
Total net position	\$10,406	\$10,398	\$ 9,683	\$ 8	0.08 %	\$ 715	7.38 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023, 2022, and 2021

Operating Results and Changes in the District's Net Position

The District's net position increased by \$8,317 in 2023, increased by \$714,733 in 2022, and decreased by \$452,707 in 2021 as reported in Table 2.

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

<i>Years Ended June 30,</i>	2023	2022	2021	<u>2023-2022</u>		<u>2022-2021</u>	
				\$ Change	% Change	\$ Change	% Change
Operating revenue:							
Net patient service revenue	\$ 16,025	\$ 13,262	\$ 13,244	\$ 2,763	20.83 %	\$ 18	0.14 %
Other operating income	288	284	397	4	1.41 %	(113)	-28.46 %
Total operating revenue	16,313	13,546	13,641	2,767	20.43 %	(95)	-0.70 %
Operating expenses:							
Salaries and benefits	16,117	12,078	12,356	4,039	33.44 %	(278)	-2.25 %
Depreciation and amortization	736	691	668	45	6.51 %	23	3.44 %
Supplies	1,592	1,288	1,310	304	23.60 %	(22)	-1.68 %
Other operating expenses	3,572	3,373	2,701	199	5.90 %	672	24.88 %
Total operating expenses	22,017	17,430	17,035	4,587	26.32 %	395	2.32 %
Operating loss	(5,704)	(3,884)	(3,394)	(1,820)	46.86 %	(490)	14.44 %
Nonoperating revenue (expenses):							
Property tax revenue	3,380	2,568	2,333	812	31.62 %	235	10.07 %
Grant revenue	473	211	117	262	124.17 %	94	80.34 %
Contract revenue	150	141	118	9	6.38 %	23	19.49 %
Interest earnings	129	35	68	(94)	268.57 %	(103)	-151.47 %
Interest expense	(65)	(81)	(94)	16	-19.75 %	13	-13.83 %
Donations	22	699	33	(677)	-96.85 %	666	2,018.18 %
Gain on sale of assets	-	7	2	(7)	-100.00 %	5	-100.00 %
Other	1,623	930	4,290	(2,553)	-274.52 %	(3,360)	-78.32 %
Total nonoperating revenue, net	5,712	4,510	6,867	1,202	26.65 %	(2,357)	-34.32 %
Excess (deficit) of revenue over (under) expenses	8	626	3,473	(618)	-98.72 %	(2,847)	-81.98 %
Capital grants and contributions	-	89	289	(89)	-100.00 %	(200)	-69.20 %
Net position, beginning of year	10,398	9,683	5,921	715	7.38 %	3,762	63.54 %
Net position, end of year	\$ 10,406	\$ 10,398	\$ 9,683	\$ 8	0.08 %	\$ 715	7.38 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023, 2022, and 2021

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

Operating Losses

The overall operating loss increased by \$1,820,189 in 2023 and decreased by \$489,682 in 2022. The increase in operating expenses directly contributed to the increased loss over last year. Other operating expenses increased as a result of COVID-19 funds being returned to funding agencies and due to the hiring of new employees in new positions and temporary staffing expenses for vacant positions.

Nonoperating Revenue and Expenses

The District's overall net nonoperating revenue increased by \$1,202,339, or 27% because of recognition of CARES Act related revenue in 2023 and decreased by \$2,357,872, or 34%, in 2022 because of less recognition of CARES Act revenue (no Paycheck Protection Loan forgiveness and less Provider Relief Fund revenue).

Grants, Contributions, and Endowments

In 2023, the District received \$472,951 in grant funding. Grant varies from year to year, this year grants are from Columbia River Enterprise Zone II (CREZ) and Eastern Oregon Coordinated Care Organization (EOCCO).

The largest sources of contract revenue were from Morrow County for Lone Community Clinic, from state-level, school-based health center funding of \$54,000, and Willow Creek Valley Assisted Living Corporation for management and accounting services of \$61,121.

Donations received in fiscal year 2023 totaled \$21,713 and were from various community donors as memorials or for a specific purpose or service of the District.

The District's Cash Flows

The decrease in cash and cash equivalents from 2022 to 2023 was 60%, while there was a 4% decrease from 2021 to 2022. Detailed cash flows from the District's activities are outlined on pages 14 and 15 in the statements of cash flows.

Capital Asset and Debt Administration

Capital Assets

Capital asset expenditures, including construction in progress, were \$617,540 this year. The largest costs were associated with the security implementation and ultrasound machine.

Debt

The District did not acquire any new debt as of June 30, 2023.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2023, 2022, and 2021

Capital Asset and Debt Administration (Continued)

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

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

Recruitment & Staffing Costs

Over the past year, there have been significant challenges with recruiting and retention in the medical field as a whole in all positions. The District has increased its utilization of locum and contracted staff in order to continue to provide critical services, which has been very costly. Staffing challenges are impacting the healthcare field across the nation.

High Inflation of all Supplies and Services

Inflation, particularly related to healthcare costs, is at a historic high. The District is expending more on supplies, fuel, equipment, services, and staffing than previously required. These increased costs represent a risk area that the District has very little control over.

Renewal of Operating Levy

Morrow County Health District's local option levy comes up for a vote in November of 2023 for a July of 2024 renewal. Without the operating levy, the District would face a budget shortfall, which would necessitate changes to operations. If passed, the levy will generate approximately on average, \$1,415,810 per year in fiscal years 2024-2025 through 2028-2029, for a total of \$7,079,050.

Potential loss of Cost Based Reimbursement for Services

The District relies heavily on cost-based reimbursement to operate the hospital, rural health clinics, and ambulance service. The loss of cost-based reimbursement due to governing decisions at a Federal, State, or Local level would severely impede the District's ability to continue to provide all of the current services.

Contacting the District's Financial Management

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

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

<i>June 30,</i>	2023	2022
Current assets:		
Cash and cash equivalents	\$ 3,755,640	\$ 6,047,126
Receivables:		
Patient accounts - Net	2,141,311	1,609,990
Taxes	67,877	66,688
Other	119,597	142,388
Estimated third-party payor settlements	1,163,619	-
Inventories	461,847	396,922
Prepaid expenses	140,900	114,528
Total current assets	7,850,791	8,377,642
Noncurrent assets:		
Board-designated cash - Capital fund	100,000	547,946
Restricted cash and cash equivalents	600,901	882,061
Capital assets:		
Nondepreciable capital assets	644,106	651,922
Depreciable capital assets - Net	4,182,144	4,292,909
Total noncurrent assets	5,527,151	6,374,838
TOTAL ASSETS	\$ 13,377,942	\$ 14,752,480

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

<i>June 30,</i>	2023	2022
Current liabilities:		
Current portion of long-term debt	\$ 184,952	\$ 316,571
Accounts payable	300,335	340,748
Accrued compensation and related liabilities	670,307	261,696
Compensated absences	564,664	430,095
Estimated third-party payor settlements	-	460,144
Accrued interest	2,560	3,052
Unearned revenue	1,506	1,110,177
Total current liabilities	1,724,324	2,922,483
Noncurrent liabilities - Long-term debt, less current portion	1,247,258	1,431,954
Total liabilities	2,971,582	4,354,437
Net position:		
Net investment in capital assets	3,394,040	3,196,306
Restricted		
By donors	125,104	140,727
By grant and service contracts	475,797	741,334
Unrestricted	6,411,419	6,319,676
Total net position	10,406,360	10,398,043
TOTAL LIABILITIES AND NET POSITION	\$ 13,377,942	\$ 14,752,480

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

Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended June 30,</i>	2023	2022
Operating revenue:		
Net patient service revenue	\$ 16,025,226	\$ 13,261,872
Other operating income	288,188	283,669
Total operating revenue	16,313,414	13,545,541
Operating expenses:		
Salaries and wages	12,365,386	9,047,971
Employee benefits	3,751,451	3,030,165
Professional fees	1,089,746	1,185,178
Supplies	1,592,491	1,288,165
Purchased services - Utilities	217,000	205,849
Purchased services - Other	1,082,707	980,429
Insurance	155,694	145,393
Other operating expense	1,026,890	855,529
Depreciation expense	736,121	690,745
Total operating expenses	22,017,486	17,429,424
Loss from operations	(5,704,072)	(3,883,883)
Nonoperating revenue (expenses):		
Property tax revenue	3,379,550	2,568,197
Grant revenue	472,951	210,946
Contract revenue	149,824	141,319
Interest earnings	129,332	35,425
Interest expense	(65,140)	(81,203)
Donations	21,713	698,302
Gain on sale of assets	100	6,600
HHS Provider Relief Fund income	1,040,483	478,009
Other nonoperating income	583,576	452,455
Total nonoperating revenue - Net	5,712,389	4,510,050
Excess of revenue over expenses	8,317	626,167
Capital grants and contributions	-	88,566
Change in net position	8,317	714,733
Net position - Beginning of year	10,398,043	9,683,310
Net position - End of year	\$ 10,406,360	\$ 10,398,043

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

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 13,870,142	\$ 13,723,166
Receipts from other operating revenue	310,979	197,309
Payments to and on behalf of employees	(15,573,657)	(12,053,839)
Payments to suppliers, contractors, and others	(5,296,238)	(4,679,579)
Net cash used in operating activities	(6,688,774)	(2,812,943)
Cash flows from noncapital financing activities:		
Taxation for operations	3,378,361	2,571,538
Cash received from grants, contract revenue, contributions, and donations	644,488	1,050,567
Net cash received from (returned to) emergency COVID-19 funding -		
HHS Provider Relief grant	583,574	(536,356)
Other	(68,188)	452,455
Net cash provided by noncapital financing activities	4,538,235	3,538,204
Cash flows from capital and related financing activities:		
Insurance proceeds	100	6,600
Proceeds from issuance of long-term debt	-	67,500
Principal paid on long-term debt and lease obligations	(316,315)	(340,900)
Interest paid on long-term debt and lease obligations	(65,630)	(82,540)
Received from capital grants and contributions	-	88,566
Purchase of capital assets	(617,540)	(772,708)
Net cash used in capital and related financing activities	(999,385)	(1,033,482)
Net cash provided by investing activities - Interest received	129,332	35,425
Net decrease in cash and cash equivalents	(3,020,592)	(272,796)
Cash and cash equivalents - Beginning of year	7,477,133	7,749,929
Cash and cash equivalents - End of year	\$ 4,456,541	\$ 7,477,133

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

<i>Years Ended June 30,</i>	2023	2022
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (5,704,072)	\$ (3,883,883)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Provision for bad debt	351,657	146,574
Depreciation expense	736,121	690,745
Changes in assets and liabilities:		
Receivables:		
Patient accounts - Net	(882,978)	(116,754)
Other	22,791	(86,360)
Inventories	(64,925)	(30,399)
Prepaid expenses	(26,372)	(42,005)
Accounts payable	(40,413)	53,368
Accrued compensation and related liabilities	408,611	53,307
Estimated third-party payor settlements	(1,623,763)	431,474
Compensated absences	134,569	(29,010)
Total adjustments	(984,702)	1,070,940
Net cash used in operating activities	\$ (6,688,774)	\$ (2,812,943)

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Accounting

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

Use of Estimates

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

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

Cash and Cash Equivalents

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

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

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

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The District received approximately 17.4% and 16.2% of its financial support from property taxes in the years ended June 30, 2023 and 2022, respectively. The funds used to support operations were \$3,379,550 and \$2,568,197 for the years ended June 30, 2023 and 2022, respectively.

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

Inventories

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

Restricted Cash and Cash Equivalents

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

Capital Assets and Depreciation

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

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenue

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

Compensated Absences

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

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

Net Position

Net position is reported in three categories:

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

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

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

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

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

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenue and Expenses

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

Net Patient Revenue

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

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

Charity Care

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

Grants and Contributions

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

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

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

Notes to Financial Statements

Note 2: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits per insured institution. At June 30, 2023, the District exceeded the insured limits. The District's deposits in excess of federally insured limits are protected by the qualifying institutions' participation in the Oregon Public Funds Collateralization Program (PFCP), which provides protection from loss for deposits in excess of federal limits.

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

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

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

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

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

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

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

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

Custodial credit risk - The risk that in an event of a bank failure the District's deposits may not be returned to it. ORS 295.002 provides for funds deposited in excess of \$250,000 to be held only in a depository qualified by the PFCP. The District's deposits are held by a depository qualified under PFCP for the years ended June 30, 2023 and 2022.

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

Notes to Financial Statements

Note 2: Cash and Cash Equivalents (Continued)

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

	2023	2022
Included in the following statements of net position descriptions:		
Current assets:		
Cash and cash equivalents	\$ 3,755,640	\$ 6,047,126
Noncurrent assets:		
Board-designated cash - Capital fund	100,000	547,946
Restricted cash and cash equivalents:		
Restricted by donors	125,104	140,727
Restricted by grant and service contracts	475,797	741,334
Total restricted cash and cash equivalents	600,901	882,061
Total cash and cash equivalents	\$ 4,456,541	\$ 7,477,133

Note 3: Reimbursement Arrangements With Third-Party Payors

The District provides services to patients under contractual agreements with the Medicare and Medicaid programs. Differences between gross revenue charged and reimbursement under each of the various programs are included in revenue deductions and allowances. Gross revenue billed under the Medicare and Medicaid programs totaled approximately \$11,089,000 and \$9,962,000 for the years ended June 30, 2023 and 2022, respectively.

Medicare

The District's hospital is designated as a critical access hospital (CAH). As a CAH, the District's inpatient and outpatient services provided to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District's clinics are certified as rural health clinics. As such, services provided to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. The District is reimbursed for cost at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The Medicare program's administrative procedures preclude final determination of amounts due to the District for such services until three years after the District's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary. The District's Medicare cost reports have been final-settled through the year ended June 30, 2021.

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

Notes to Financial Statements

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

Medicaid

Because the District's hospital is a CAH, inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. The District is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Medicaid reimburses RHCs on a prospective rate that is based on historical cost without any cost report settlement at year-end. The District's Medicaid cost reports have been final-settled through the year ended June 30, 2020.

Other

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

Laws and Regulations

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

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

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

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

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Notes to Financial Statements

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable consisted of the following at June 30:

	2023	2022
Receivable from patients and their insurance carriers	\$ 1,408,805	\$ 972,135
Receivable from Medicare	667,877	691,668
Receivable from Medicaid	468,319	258,428
Total patient accounts receivable	2,545,001	1,922,231
Less - Contractual adjustments	103,308	88,646
Less - Allowance for uncollectible amounts	300,382	223,595
Patient accounts receivable - Net	\$ 2,141,311	\$ 1,609,990

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

Notes to Financial Statements

Note 5: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Nondepreciable capital assets:					
Land	\$ 135,700	\$ -	\$ -	\$ -	135,700
Construction in progress	516,222	509,962	-	(517,778)	508,406
Total nondepreciable capital assets	651,922	509,962	-	(517,778)	644,106
Depreciable capital assets:					
Land improvements	301,596	11,486	-	9,572	322,654
Buildings and improvements	5,869,835	48,443	-	52,083	5,970,361
Software	758,810	47,649	-	-	806,459
Equipment	7,125,965	-	(18,272)	456,123	7,563,816
Total depreciable capital assets	14,056,206	107,578	(18,272)	517,778	14,663,290
Total capital assets before depreciation	14,708,128	617,540	(18,272)	-	15,307,396
Less - Accumulated depreciation	(9,763,297)	(736,121)	18,272	-	(10,481,146)
Capital assets - Net	\$ 4,944,831	\$ (118,581)	\$ -	\$ -	4,826,250

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Notes to Financial Statements

Note 5: Capital Assets (Continued)

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

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
<i>Direct borrowings:</i>					
Bank of Eastern Oregon Loan Refinance	\$ 797,726	\$ -	\$ (26,322)	\$ 771,404	\$ 27,435
Bank of Eastern Oregon Boiler Loan	70,996	-	(27,539)	43,457	28,701
Bank of Eastern Oregon IMC Remodel	49,496	-	(48,422)	1,074	1,074
Bank of Eastern Oregon Boardman Ambulance Loan	85,015	-	(78,298)	6,717	6,717
Greater E. Oregon Devel. Corp. Morrow County IMC Loan	9,492	-	(9,492)	-	-
Bank of Eastern Oregon Boardman Building Loan	106,019	-	(17,303)	88,716	18,008
Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan	58,501	-	(9,966)	48,535	10,116
Bank of Eastern Oregon Procedure Room Remodel Loan	9,778	-	(9,778)	-	-
Bank of Eastern Oregon IMC Expansion Loan	332,518	-	(45,060)	287,458	47,130
Bank of Eastern Oregon Omnicell and Ultrasound Loan	85,016	-	(29,820)	55,196	31,077
Greater E. Oregon Devel. Corp Morrow County House Loan	82,295	-	(7,924)	74,371	8,206
Greater E Oregon Devel. Corp Morrow County Church Loan	61,673	-	(6,391)	55,282	6,488
Total long-term debt	\$ 1,748,525	\$ -	\$ (316,315)	\$ 1,432,210	\$ 184,952

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-term debt obligations consisted of the following:

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

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-Term Debt

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

- GEODC - County House Loan - Note dated May 21, 2021, due in monthly payments of \$890, including interest at 3.50% through 2031. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Omnicell and Ultrasound Loan - Note dated March 3, 2020, due in monthly payments of \$2,732, including interest at 4.15% through 2025. Collateralized by the titled vehicles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Boiler Loan - Note dated December 9, 2019, due in monthly payments of \$2,497, including interest at 4.15% through 2024. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - IMC Expansion Loan - Note dated December 12, 2018, due in monthly payments of \$4,925, including interest at 4.50% through 2028. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Ambulance Loan - Note dated July 25, 2018, due in monthly payments of \$6,710, including interest at 4.50% through 2023. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- GEODC - County Boardman Building Loan - Note dated January 31, 2018, due in monthly payments of \$898, including interest at 1.5% through 2028. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Boardman Building Loan - Note dated January 29, 2018, due in monthly payments of \$1,769, including interest of 4.00% through 2028. Collateralized by the purchase of building and land. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Room Remodel Loan - Note dated September 26, 2017, due in monthly payments of \$3,276, including interest of 3.75% through 2022. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Ambulance/Lab Loan - Note dated August 16, 2016, due in monthly payments of \$3,606, including interest of 3.75% through 2021. Collateralized by the purchased equipment. The loan repayment may be accelerated upon default or other noncompliance with loan terms.

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-Term Debt (Continued)

- GEODC - County IMC Loan - Note dated May 7, 2013, due in monthly payments of \$874, including interest at 2.00% through 2023. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - IMC Remodel - Note dated February 27, 2009, due in monthly payments of \$4,150, including interest at 4.50% through 2023. Collateralized by the District's gross receipts, property tax revenue, and all District assets, excluding Pioneer Memorial Hospital. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- GEODC - Church Loan- Note dated January 12, 2016, due in monthly payments of \$606, including interest at 1.5% through 2021. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon Loan Refinance - Note dated May 2022, due in monthly payments of \$4,912, including interest at 4.15% through 2042. Collateralized by the District's gross receipts and all present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility. Upon the event of default the repayment may be accelerated or interest increased by up to 2% per annum.
- Rural Housing Service, United States Department of Agriculture (USDA) - Note dated August 2002, due in monthly payments of \$5,622, including interest at 4.75% through 2042. Collateralized by the District's gross receipts and all present and future contract rights, account receivable, and general intangibles arising in connection with the facility, Upon the event of default the repayment may be accelerated or interest increased by up to 2% per annum.

Other Long-Term Debt Obligations

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

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

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

Years Ending June 30,	Direct borrowings		
	Principal	Interest	Total
2024	\$ 184,952	\$ 53,622	\$ 238,574
2025	160,959	46,613	207,572
2026	126,779	41,218	167,997
2027	131,775	36,222	167,997
2028	124,421	31,084	155,505
2029-2033	265,105	113,615	378,720
2034-2038	225,905	68,774	294,679
2039-2042	212,314	18,122	230,436
Totals	\$ 1,432,210	\$ 409,270	\$ 1,841,480

Note 7: Net Patient Service Revenue

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

	2023	2022
Gross patient service revenue:		
Inpatient services	\$ 2,153,624	\$ 1,946,111
Outpatient services	13,402,605	12,027,983
Totals	15,556,229	13,974,094
Less:		
Contractual adjustments	(820,654)	565,648
Provision for bad debt	351,657	146,574
Net patient service revenue	\$ 16,025,226	\$ 13,261,872

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

Notes to Financial Statements

Note 7: Net Patient Service Revenue (Continued)

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

	2023	2022
Medicare	51 %	54 %
Medicaid	21 %	18 %
Other third-party payors	24 %	23 %
Self-pay	4 %	5 %
Totals	100 %	100 %

Note 8: Charity Care

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

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. Gross charges related to patients under the District's charity care policy were \$186,500 in 2023 and \$377,703 in 2022.

Note 9: Employee Benefits and Employee Retirement Plans

The District offers postretirement benefits through AIG VALIC.

Pension plan 401(a) - On July 1, 1998, the District established a defined contribution retirement plan, Morrow County Health District Retirement Plan, which provides retirement benefits to employees of the District. The plan is a profit-sharing plan established under Section 401(a) of the Internal Revenue Code (IRC). The plan covers full-time employees and part-time employees working more than 20 hours per week who are over the age of 18. The District contributes a flat percentage based on profit margin, but no less than 5% of employee earnings. Contributions to the plan from the District were \$365,576 and \$310,032 for the years ended June 30, 2023 and 2022, respectively.

Deferred compensation plan 457 - The District provides a deferred compensation plan to substantially all employees under Section 457 of the IRC. The deferred compensation plan is funded solely from employee contributions, which are deposited with several financial institutions. Effective January 1, 1997, by federal law, these assets can be used only to meet obligations under the plan. Net plan activity was \$448,991 and \$(186,321) (including rollover contributions), with funds on deposit of \$3,562,016 and \$3,113,025 for the years ended June 30, 2023 and 2022, respectively.

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

Notes to Financial Statements

Note 9: Employee Benefits and Employee Retirement Plans (Continued)

Retirement benefits 403(b) - The District has a tax-sheltered annuity plan under Section 403(b) of the IRC that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. The plan allows the participant to make voluntary contributions. Employee annuity contributions are 100% vested. Total employee contributions and transfers to the plan during the year were \$131,115 and \$130,167 for the years ended June 30, 2023 and 2022, respectively.

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

Plan	Value July 1, 2022	Additions	Interest Earned	Gain	Distributions/ Adjustments	Value June 30, 2023
401(a)	\$ 3,339,064	\$ 365,576	\$ 28,915	\$ 317,608	\$ (250,709)	\$ 3,800,454
457	3,113,025	312,072	29,112	285,652	(177,845)	3,562,016
403(b)	874,412	131,115	10,354	66,053	(35,507)	1,046,427

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

Note 10: Risk Management

Liability Insurance

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

Policy provide coverage with \$5,000,000 for each claim and a \$15,000,000 limit aggregate.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. The District does not believe potential claims are significant and, accordingly, has not provided a reserve for potential claims from services provided to patients through June 30, 2023, which have not yet been asserted. The District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

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

Notes to Financial Statements

Note 11: Concentration of Credit Risk

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

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

	2023	2022
Medicare	27 %	36 %
Medicaid	19 %	10 %
Other third-party payors	33 %	26 %
Self-pay	21 %	28 %
Totals	100 %	100 %

Note 12: Provider Relief Funding

Starting in March 2020, the nation in general, and healthcare-related entities specifically were faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the District that both operational performance and cash flows for healthcare-related entities has been and will be impacted during the year ended June 30, 2023 as well as future periods until the pandemic ends.

During the year ended June 30, 2020, the District received approximately \$4,000,000 in grant funding from the U.S. Department of Health and Human Services (HHS) Provider Relief Fund which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring COVID-19 expenses or by incurring lost revenue as a result of COVID-19. The District recognized \$1,040,483 and \$478,009 in nonoperating revenue related to this program during the years ended June 30, 2023 and 2022, respectively. Revenue from this program is included in the the statements of revenues, expenses, and changes in net position.

Note 13: Related-Party Transactions

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

Supplementary Information

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

Schedule of Patient Service Revenue

Year Ended June 30, 2023

	Hospital		Clinics				Ambulances			Home			
	Inpatient	Outpatient	Heppner	Boardman	Irrigon	Ione	Heppner	Boardman	Irrigon	Health	Hospice	Total	
Daily patient services:													
Medical - Surgical	\$ 484,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 484,224	
Swing bed program	894,884	-	-	-	-	-	-	-	-	-	-	894,884	
Total daily patient services	1,379,108	-	-	-	-	-	-	-	-	-	-	1,379,108	
Ancillary services:													
Clinic services	-	-	1,177,434	541,049	1,519,865	308,295	-	-	-	-	-	3,546,643	
Home health	-	-	-	-	-	-	-	-	-	521,614	-	521,614	
Hospice	-	-	-	-	-	-	-	-	-	-	567,469	567,469	
Emergency room	-	1,516,697	-	-	-	-	-	-	-	-	-	1,516,697	
Radiology	38,549	640,035	-	-	-	-	-	-	-	-	-	678,584	
CT scan	45,049	841,149	-	-	-	-	-	-	-	-	-	886,198	
Laboratory	106,600	2,435,278	-	-	-	-	-	-	-	-	-	2,541,878	
Electrocardiography	3,077	88,719	-	-	-	-	-	-	-	-	-	91,796	
Respiratory therapy	105,377	43,672	-	-	-	-	-	-	-	-	-	149,049	
Supplies and other	22,939	42,857	-	-	-	-	-	-	-	-	-	65,796	
Pharmacy	325,167	1,151,757	-	-	-	-	-	-	-	-	-	1,476,924	
Physical therapy	127,758	16,106	-	-	-	-	-	-	-	-	-	143,864	
Procedure	-	2,648	-	-	-	-	-	-	-	-	-	2,648	
Ambulance	-	-	-	-	-	-	556,181	772,283	659,496	-	-	1,987,960	
Total ancillary services	774,516	6,778,918	1,177,434	541,049	1,519,865	308,295	556,181	772,283	659,496	521,614	567,469	14,177,120	
Gross patient revenue	2,153,624	6,778,918	1,177,434	541,049	1,519,865	308,295	556,181	772,283	659,496	521,614	567,469	15,556,228	
Medicare adjustments	3,432,717	(463,990)	168,506	2,496	102,653	(67,147)	-	-	-	(161,039)	(155,432)	2,858,764	
Medicaid adjustments	(53,857)	(1,031,349)	107,457	(108,914)	136,277	16,286	21,897	77,963	44,603	(13,129)	(4,473)	(807,239)	
Commercial adjustments	(15,855)	(324,702)	(155,755)	(123,468)	(265,779)	(50,500)	-	-	-	(23,118)	(4,621)	(963,798)	
Administrative adjustments	(5,472)	(65,816)	(3,926)	(907)	(3,440)	(1,010)	-	-	-	(1)	-	(80,572)	
Provisions for bad debt	(296,392)	5,818	(14,203)	(14,793)	(28,677)	(3,410)	-	-	-	-	-	(351,657)	
Charity care	(6,447)	(128,738)	(19,818)	(6,780)	(23,419)	(1,298)	-	-	-	-	-	(186,500)	
Total revenue deductions	3,054,694	(2,008,777)	82,261	(252,366)	(82,385)	(107,079)	21,897	77,963	44,603	(197,287)	(164,526)	468,998	
Net patient service revenue	\$ 5,208,318	\$ 4,770,141	\$ 1,259,695	\$ 288,683	\$ 1,437,480	\$ 201,216	\$ 578,078	\$ 850,246	\$ 704,099	\$ 324,327	\$ 402,943	\$ 16,025,226	

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

Year Ended June 30, 2023

	Personnel Services	Materials, Services, and Interest	Subtotal	Depreciation and Amortization	Total
Administration	\$ 1,201,422	\$ 706,677	\$ 1,908,099	\$ 47,202	\$ 1,955,301
Accounting services	299,676	93,372	393,048	-	393,048
Business office	520,465	92,195	612,660	1,129	613,789
Information systems	40,574	775,230	815,804	24,985	840,789
Dietary	205,197	137,556	342,753	2,451	345,204
Laundry	38,529	7,353	45,882	1,851	47,733
Housekeeping	133,357	22,870	156,227	-	156,227
Plant and maintenance	189,760	247,570	437,330	117,861	555,191
Central supply	103,390	(24,009)	79,381	-	79,381
Acute care	2,219,416	311,855	2,531,271	117,421	2,648,692
Pharmacy	14,543	631,461	646,004	735	646,739
Laboratory	457,316	477,307	934,623	20,194	954,817
IV therapy	1,782	5,632	7,414	-	7,414
Radiology	403,065	145,242	548,307	59,403	607,710
CT scan	32,541	99,131	131,672	-	131,672
Electrocardiography	14,517	3,830	18,347	-	18,347
Respiratory therapy	70,861	1,348	72,209	-	72,209
Emergency room	1,367,408	305,115	1,672,523	33,208	1,705,731
Medical records	115,535	3,201	118,736	-	118,736
Physical therapy	-	18,761	18,761	9,583	28,344
Swing bed	606,721	5,221	611,942	-	611,942
Swing bed NF	396,523	17,193	413,716	4,002	417,718
Procedure	118	-	118	2,586	2,704
Heppner ambulance	488,151	70,429	558,580	54,250	612,830
Subtotals	8,920,867	4,154,540	13,075,407	496,861	13,572,268
Home health	607,447	158,822	766,269	17,181	783,450
Hospice	498,048	104,652	602,700	-	602,700
Heppner clinic	1,730,840	155,482	1,886,322	11,480	1,897,802
Boardman clinic	838,974	180,719	1,019,693	49,007	1,068,700
Irrigon clinic	1,507,029	238,283	1,745,312	89,858	1,835,170
Ione clinic	228,892	53,458	282,350	598	282,948
Boardman ambulance	995,498	100,091	1,095,589	50,861	1,146,450
Irrigon ambulance	782,362	60,895	843,257	16,759	860,016
Ione ambulance	6,539	20,085	26,624	3,516	30,140
Lexington ambulance	341	2,641	2,982	-	2,982
Totals	\$ 16,116,837	\$ 5,229,668	\$ 21,346,505	\$ 736,121	\$ 22,082,626

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

Year Ended June 30, 2023

	Filed Budget	Budget Amendments	Final Budget	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Resources:					
Net patient service revenue	\$ 16,803,192	\$ -	\$ 16,803,192	\$ 16,025,226	\$ (777,966)
Property/other taxes	3,078,680	-	3,078,680	3,379,550	300,870
Grants/contributions/other	2,090,624	-	2,090,624	2,556,835	466,211
Interest	45,000	-	45,000	129,332	84,332
Total resources	\$ 22,017,496	\$ -	\$ 22,017,496	\$ 22,090,943	\$ 73,447
Expenditures:					
Personal services	\$ 15,567,821	\$ -	\$ 15,567,821	\$ 16,116,837	\$ (549,016)
Materials and services	4,818,212	-	4,818,212	5,229,668	(411,456)
Gross capital outlay	1,508,706	-	1,508,706	617,540	891,166
Debt service	316,495	-	316,495	316,315	180
Total expenditures	\$ 22,211,234	\$ -	\$ 22,211,234	\$ 22,280,360	\$ (69,126)
Change in net position - Budgetary				\$ (189,417)	
Reconciliation of statutory operating expenditures to GAAP-basis operating expenses:					
Add: Purchase of equipment				617,540	
Add: Long-term debt and capital leases principal reductions				316,315	
Less: Depreciation and amortization				<u>736,121</u>	
Total effects of reconciliation				<u>197,734</u>	
Change in net position - GAAP				8,317	
Net position - Beginning of year				<u>10,398,043</u>	
Net position - End of year				<u>\$ 10,406,360</u>	

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

Year Ended June 30, 2023

<i>Fiscal Year</i>	Property Taxes Receivable July 1, 2022	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	Property Taxes Receivable June 30, 2023
2022-2023	\$ -	\$ 3,477,948	\$ (97,036)	\$ (2,025)	\$ -	\$ (3,347,536)	\$ 31,351
2021-2022	29,933	-	20	(1,239)	-	(13,107)	15,607
2020-2021	15,798	-	33	(1,166)	-	(3,260)	11,405
2019-2020	11,171	-	31	(1,099)	-	(1,981)	8,122
2018-2019	8,311	-	-	(69)	-	(7,709)	533
2017-2018	554	-	-	(70)	-	(128)	356
2016-2017	523	-	-	(43)	-	(131)	349
Prior	398	-	-	-	-	(244)	154
Totals	\$ 66,688	\$ 3,477,948	\$ (96,952)	\$ (5,711)	\$ -	\$ (3,374,096)	\$ 67,877

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

Schedule of Future Debt Service Requirements

Year Ended June 30, 2023

Maturing During Year Ending June 30,	Bank of Eastern Oregon Loan Refinance		Bank of Eastern Oregon Remodel Loan		GEODC/Morrow County Irrigon Clinic Remodel		Bank of Eastern Oregon Boardman Ambulance Loan		Bank of Eastern Oregon Boardman Building Loan		Bank of Eastern Oregon Boardman Building Loan		GEODC/Morrow County Boardman Building Loan		Bank of Eastern Oregon IMC Expansion Loan		GEODC/Morrow County House Loan		GEODC/Morrow County Church Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 27,435	\$ 31,501	\$ 28,701	\$ 1,267	\$ 1,074	\$ 4	\$ 6,717	\$ 25	\$ 18,008	\$ 3,221	\$ 10,116	\$ 659	\$ 47,130	\$ 11,974	\$ 31,077	\$ 1,711	\$ 8,206	\$ 2,474	\$ 6,488	\$ 786	\$ 184,952	\$ 53,622
2025	28,965	30,339	14,756	180	-	-	-	-	18,472	2,488	10,269	506	49,295	9,809	24,119	421	8,497	2,182	6,586	688	160,959	46,613
2026	29,805	29,131	-	-	-	-	-	-	19,505	1,724	10,424	351	51,560	7,544	-	-	8,800	1,880	6,685	588	126,779	41,218
2027	31,066	27,870	-	-	-	-	-	-	20,300	930	10,582	193	53,928	5,175	-	-	9,113	1,567	6,786	487	131,775	36,222
2028	32,685	26,556	-	-	-	-	-	-	12,431	162	7,144	40	56,406	2,698	-	-	9,437	1,243	6,318	385	124,421	31,084
2029-2033	183,229	111,039	-	-	-	-	-	-	-	-	-	-	29,139	385	-	-	30,318	1,667	22,419	524	265,105	113,615
2034-2038	225,905	68,774	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225,905	68,774
2039-2042	212,314	18,122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	212,314	18,122
Totals	\$ 771,404	\$ 343,332	\$ 43,457	\$ 1,447	\$ 1,074	\$ 4	\$ 6,717	\$ 25	\$ 88,716	\$ 8,525	\$ 48,535	\$ 1,749	\$ 287,458	\$ 37,585	\$ 55,196	\$ 2,132	\$ 74,371	\$ 11,013	\$ 55,282	\$ 3,458	\$ 1,432,210	\$ 409,270

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Peformed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the the statement of net position, and the statements of revenues, expenses, and changes in net position and cash flows of (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 19, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

By:

Eric Volk

Eric Volk, CPA Oregon Municipal Auditor, Lic# 1637

October 19, 2023
Spokane, Washington

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

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

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District") as of and for the year ended June 30, 2023, and have issued our report thereon dated October 19, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

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

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

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

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

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

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



Wipfli LLP

By:



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

October 19, 2023
Spokane, Washington

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Audit Comments and Disclosures Required by State Regulations
Year Ended June 30, 2023

Accounting Records

The records of the District are adequate for audit purposes.

Adequacy of Collateral Securing Depository Balance

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

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

As of June 30, 2023, the District did not maintain any uncollateralized deposits and, therefore, appears to be in compliance with collateral requirements.

Indebtedness

The District, during the year ended 2023, appeared to be in compliance with statutory requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness.

Budget and Oregon Local Budget Law Compliance

The budget documents related to Morrow County Health District for 2021, 2022, and 2023 were reviewed. The District appears to have substantially complied with the legal requirements related to the preparation, adoption, and execution of the budget for the year ended June 30, 2023, and preparation and adoption of the budget for the upcoming fiscal year.

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

Insurance and Fidelity Bond Coverage

The District's insurance policies appear to be in force. We are not competent, by training, to state whether the insurance coverage in force at June 30, 2023, was adequate. The District does review insurance coverage annually with its insurance agent.

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

Audit Comments and Disclosures Required by State Regulations (Continued)

Year Ended June 30, 2023

Programs Funded From Outside Sources

During the year ended June 30, 2023, the District complied, in all material respects, with laws, regulations, contracts, and grants pertaining to programs funded from outside sources. Additional comments may be noted in our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on pages 41 and 42 of this report.

Investment of Public Funds

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

Public Contracts and Purchasing

Pursuant to ORS Chapter 279, the District has followed procedures of obtaining bids and cost estimates prior to the acquisition of property and equipment to ensure that such improvements and equipment are acquired at the lowest reasonable cost. The District was in substantial compliance with the provisions of ORS Chapter 279 during the year ended June 30, 2023.

Federal and State Grants

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