

Lower Umpqua Hospital District doing business as Lower Umpqua Hospital

Financial Statements and
Independent Auditors' Reports

June 30, 2024 and 2023



**Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
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INTRODUCTORY SECTION

**Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Governing Board and Principal Employee
June 30, 2024**

Members of the Board of Directors as of June 30, 2024:

Ron Kreskey 323 Bittersweet Court Reedsport, OR 97467	Board Chair
Cheryl Young 3539 South Smith River Rd Reedsport, OR 97467	Vice Chair
Brenda Fraley 900 Ranch Road Reedsport, OR 97467	Director
Leon Bridge 2700 Ridgeway Drive Reedsport, OR 97467	Treasurer
Karen Bedard 2150 Fir Avenue Reedsport, OR 97467	Secretary

Lower Umpqua Hospital District doing business as Lower Umpqua Hospital has designated the following registered agent and office as of July 1, 2023.

Registered agent	Melissa Cribbins
Registered office	Lower Umpqua Hospital 600 Ranch Road Reedsport, OR 97467

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Hospital for the year ended June 30, 2023, were audited by Moss Adams, LLP, who expressed an unmodified opinion on those statements on November 28, 2023.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended June 30, 2024. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 17, 2024, on our consideration of the Hospital'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.

D3A PLLC

Spokane Valley, Washington
October 17, 2024

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Management's Discussion and Analysis
June 30, 2024 and 2023

Introduction

Management's discussion and analysis of Lower Umpqua Hospital District, doing business as Lower Umpqua Hospital's (the Hospital), financial performance provides an overview of the Hospital's financial activities for the fiscal years ended June 30, 2024, 2023, and 2022. Please read it in conjunction with the Hospital's financial statements that follow.

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

Financial Highlights

For the fiscal year ended June 30, 2024, the Hospital improved its position significantly. There were a number of programs put in place during the fiscal year that improved volumes and controlled expenditures.

Some key financial highlights are as follows:

- The Hospital reported operating losses of approximately \$2.8 million, \$4.4 million, and \$4.2 million in fiscal years 2024, 2023 and 2022, respectively.
- Operating revenue of \$36.7 and \$32.5 million in 2024 and 2023 reflected increases of \$4.2 and \$1.2 million, respectively.
- Operating expense of \$39.5 and \$36.8 million in 2024 and 2023 reflected increases of \$3.1 and \$1.3 million, respectively.
- Non operating revenue of \$5.7 and \$3.0 million in 2024 and 2023 reflected an increase of approximately \$2.7 million and a decrease of \$2.7 million, respectively. The increase in 2024 primarily relates to the Hospital submission for the CARES Act Employer Retention Credit. The decrease in 2023 reflects no Covid Stimulus relief recognition during the year as opposed to \$3.7 million recognized in 2022.
- The Hospital's net position in 2024 and 2023 of \$12.7 and \$9.7 million reflects an increase of \$3.0 million in 2024, contrasted with a decrease of \$2.1 million during fiscal year 2023.

Overview of the Financial Statements

The Hospital's financial statements consist of three statements - the statement of net position, the statement of revenues, expenses, and changes in net position, and a statement of cash flows. These financial statements and related notes provide information about the financial activities of the Hospital.

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

The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Hospital's resources and its activities in a way that helps the user decide if the Hospital as a whole is better or worse off as a result of the year's activities. These statements include all assets and 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.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Management's Discussion and Analysis
June 30, 2024 and 2023

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

The Statement of Cash Flows

This statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in the cash balance during the reporting period?"

Financial Analysis of the Hospital

The Hospital's net position, the difference between its assets and liabilities as reported in the statement of net position, is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and new or revised government regulations and legislation should also be considered.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Management's Discussion and Analysis
June 30, 2024 and 2023

Table 1: Statements of Net Position:

	2024	2023	2022
<i>Assets</i>			
Current assets	\$ 13,175,967	\$ 9,547,910	\$ 13,242,174
Capital assets, net	5,309,124	6,106,303	6,131,577
Other noncurrent assets	402,282	402,514	391,634
Total assets	\$ 18,887,373	\$ 16,056,727	\$ 19,765,385
<i>Liabilities</i>			
Current liabilities	\$ 4,775,396	\$ 3,895,725	\$ 6,103,497
Noncurrent liabilities	1,451,200	2,416,552	1,839,930
Total liabilities	6,226,596	6,312,277	7,943,427
<i>Net position</i>			
Net investment in capital assets	3,120,639	3,358,386	3,736,328
Restricted	333,880	333,880	333,880
Unrestricted	9,206,258	6,052,184	7,751,750
Total net position	12,660,777	9,744,450	11,821,958
Total liabilities and net position	\$ 18,887,373	\$ 16,056,727	\$ 19,765,385

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Management's Discussion and Analysis
June 30, 2024 and 2023

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
<i>Operating revenues</i>			
Net patient service revenue	\$ 31,545,136	\$ 28,601,409	\$ 28,789,926
Other operating revenue	5,133,325	3,865,600	2,512,958
Total operating revenues	36,678,461	32,467,009	31,302,884
<i>Operating expenses</i>			
Salaries, wages, and benefits	21,755,598	20,463,349	19,792,330
Professional fees	8,186,949	7,642,215	7,475,332
Depreciation and amortization	1,437,106	1,456,574	1,297,904
Supplies and other operating expenses	8,085,496	7,282,069	6,970,268
Total operating expenses	39,465,149	36,844,207	35,535,834
<i>Operating loss</i>	(2,786,688)	(4,377,198)	(4,232,950)
<i>Nonoperating revenues (expenses)</i>			
Taxation	2,453,417	2,372,421	2,116,833
CARES Act Employee Retention Credit	3,887,164	-	-
CARES Act Employee Retention Credit professional fees	(583,075)	-	-
CARES Act Provider Relief Fund	-	-	1,738,375
CARES Act Paycheck Protection Program loan forgiveness	-	-	2,009,644
Interest income	141,115	112,688	29,113
Interest expense	(195,606)	(185,419)	(152,214)
Other, net	-	-	(41,593)
Total nonoperating revenues, net	5,703,015	2,299,690	5,700,158
Change in net position before capital contributions	2,916,327	(2,077,508)	1,467,208
<i>Capital contributions</i>	-	-	261,538
Change in net position	2,916,327	(2,077,508)	1,728,746
Net position, beginning of year	9,744,450	11,821,958	10,093,212
Net position, end of year	\$ 12,660,777	\$ 9,744,450	\$ 11,821,958

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hospital's Chief Financial Officer's Office at Lower Umpqua Hospital District doing business as Lower Umpqua Hospital, 600 Ranch Road, Reedsport, OR 97467.

FINANCIAL STATEMENTS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Net Position
June 30, 2024 and 2023

ASSETS	2024	2023
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,218,272	\$ 3,388,144
Receivables:		
Patient accounts, net	5,011,298	3,480,581
Estimated third-party payor settlements	874,000	442,398
Pharmacy	294,687	382,204
Property taxes	330,215	268,635
Provider tax	258,979	226,615
Other	202,617	14,355
CARES Act Employee Retention Credit	3,887,164	-
Inventories	718,931	844,695
Prepaid expenses and other	379,804	500,283
Total current assets	13,175,967	9,547,910
<i>Noncurrent assets</i>		
Restricted noncurrent cash and cash equivalents	402,282	402,514
Capital assets, net of accumulated depreciation and amortization	5,309,124	6,106,303
Total noncurrent assets	5,711,406	6,508,817
Total assets	\$ 18,887,373	\$ 16,056,727

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Net Position (Continued)
June 30, 2024 and 2023

LIABILITIES AND NET POSITION	2024	2023
<i>Current liabilities</i>		
Accounts payable	\$ 1,067,401	\$ 1,034,573
Accrued compensation and related liabilities	1,773,656	1,534,842
CARES Act Employee Retention Credit professional fees	583,075	-
Estimated third-party payor settlements	355,000	347,919
Provider tax	258,979	226,615
Current maturities of lease and subscription liabilities	504,347	524,935
Current maturities of long-term debt	232,938	226,841
Total current liabilities	4,775,396	3,895,725
<i>Noncurrent liabilities</i>		
Lease and subscription liabilities, net of current maturities	641,701	953,785
Long-term debt, net of current maturities	809,499	1,042,356
Other noncurrent liabilities	-	420,411
Total noncurrent liabilities	1,451,200	2,416,552
Total liabilities	6,226,596	6,312,277
<i>Net position</i>		
Net investment in capital assets	3,120,639	3,358,386
Restricted	333,880	333,880
Unrestricted	9,206,258	6,052,184
Total net position	12,660,777	9,744,450
Total liabilities and net position	\$ 18,887,373	\$ 16,056,727

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
<i>Operating revenues</i>		
Net patient service revenue	\$ 31,545,136	\$ 28,601,409
Other	686,530	486,582
Pharmacy	3,300,407	2,256,867
Provider tax revenue	1,000,231	895,585
Grants	146,157	226,566
Total operating revenues	36,678,461	32,467,009
<i>Operating expenses</i>		
Salaries and wages	16,231,814	15,219,286
Employee benefits	5,523,784	5,244,063
Professional fees and purchased services	8,186,949	7,642,215
Supplies	5,048,209	3,922,894
Utilities	341,397	391,249
Repairs and maintenance	395,898	350,414
Depreciation and amortization	1,437,106	1,456,574
Provider tax	1,000,231	895,585
Rent	182,899	184,217
Other	1,116,862	1,537,710
Total operating expenses	39,465,149	36,844,207
<i>Operating loss</i>	(2,786,688)	(4,377,198)
<i>Nonoperating revenues (expenses)</i>		
Property tax	2,453,417	2,372,421
CARES Act Employee Retention Credit	3,887,164	-
CARES Act Employee Retention Credit professional fees	(583,075)	-
Interest income	141,115	112,688
Interest expense	(195,606)	(185,419)
Total nonoperating revenues, net	5,703,015	2,299,690
Change in net position	2,916,327	(2,077,508)
Net position, beginning of year	9,744,450	11,821,958
Net position, end of year	\$ 12,660,777	\$ 9,744,450

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 29,647,106	\$ 29,351,812
Receipts from other revenue	498,268	753,533
Receipts from pharmacy revenue	3,387,924	2,047,201
Receipts from grants	146,157	226,566
Payments to or on behalf of employees	(21,516,784)	(20,424,291)
Payments to suppliers and contractors	(15,470,751)	(14,817,973)
Net cash from operating activities	(3,308,080)	(2,863,152)
<i>Cash flows from noncapital financing activities</i>		
Property taxes	2,391,837	2,334,502
<i>Cash flows from capital and related financing activities</i>		
Principal paid on long-term debt and other noncurrent liabilities	(792,695)	(2,285,810)
Interest paid	(195,606)	(185,419)
Purchase of capital assets	(406,675)	(305,148)
Proceeds from sale of capital assets	-	7,813
Net cash from capital and related financing activities	(1,394,976)	(2,768,564)
<i>Cash flows from investing activities</i>		
Interest received	141,115	112,688
Net change in cash and cash equivalents	(2,170,104)	(3,184,526)
Cash and cash equivalents, beginning of year	3,790,658	6,975,184
Cash and cash equivalents, end of year	\$ 1,620,554	\$ 3,790,658

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents	\$ 1,218,272	\$ 3,388,144
Restricted noncurrent cash and investments	402,282	402,514
Total cash and cash equivalents	\$ 1,620,554	\$ 3,790,658
<i>Reconciliation of Operating Loss to Net Cash from Operating Activities</i>		
Operating loss	\$ (2,786,688)	\$ (4,377,198)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	1,437,106	1,456,574
Provision for bad debts	603,927	614,531
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(2,134,644)	474,754
Pharmacy	87,517	(209,666)
Estimated third-party payor settlements	(431,602)	(338,882)
Provider tax receivable	(32,364)	(54,220)
Other	(131,054)	241,747
Inventories	125,764	(77,915)
Prepaid expenses	63,271	(166,501)
Increase (decrease) in liabilities:		
Accounts payable	94,165	(479,471)
Accrued compensation and related liabilities	238,814	39,058
Estimated third-party payor settlements	7,081	-
Medical malpractice	(420,400)	-
Provider tax payable	32,364	54,220
Other	(61,337)	(40,183)
Net cash from operating activities	\$ (3,308,080)	\$ (2,863,152)

Noncash Capital and Related Financing Activities

During the year ended June 30, 2023, the Hospital recorded \$535,675 of right-of-use assets and lease liabilities for lease agreements during the year. The Hospital also recorded \$518,305 of subscription assets and liabilities from the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Lower Umpqua Hospital District owns and operates Lower Umpqua Hospital (the Hospital), a licensed 20-bed critical access hospital and medical clinics. The Hospital provides healthcare services to patients in and around Reedsport, Oregon. The Hospital's services include acute care hospital, surgery, emergency department, and related clinic and ancillary services (laboratory, radiology, etc.).

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

The Hospital was incorporated as a municipal corporation in October 1954, and the Hospital operates under the laws of the state of Oregon for Oregon Health Districts as provided by Oregon Revised Statutes (ORS) 440.315-440.410. It is governed by an elected five-member board.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete.

Related organization – The Lower Umpqua Hospital Foundation, Inc. (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the Hospital. The Foundation is not material to the Hospital and is therefore not reported as a component unit of the Hospital.

b. Summary of Significant Accounting Policies

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

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

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

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

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

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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

b. Summary of Significant Accounting Policies (continued)

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

Restricted cash and cash equivalents – Restricted investments consist of amounts restricted for debt reserves. These are cash deposits in the Oregon State Treasury Local Government Investment Pool (LGIP), which are required to be maintained in a debt service reserve account by the Hospital's loan agreement with the Hospital. As of June 30, 2024 and 2023, the noncurrent restricted cash and cash investments were \$402,282 and \$402,514, respectively.

Compensated absences – The Hospital's employees earn paid time off (PTO) at varying rates, depending on years of service. Employees can accumulate unused PTO from one calendar year to the next with a maximum of 360 hours. All unused PTO is paid to employees in cash upon their termination of employment from the Hospital, if proper notice has been given. All staff covered by Teamsters Local 206 union can earn up to 450 hours. All staff covered by United Food and Commercial Workers union Local 555 can earn up to 360 hours. In addition, upon request, the Hospital has the discretion to cash out a current employee's unused PTO at the end of October down to 40 hours in December.

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

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

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

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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

b. Summary of Significant Accounting Policies (continued)

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

Oregon provider tax – The Hospital pays a provider tax to cover the state’s share of the Medicaid program and expects to receive a reimbursement for the same amount.

Reclassifications – Certain items included in the accompanying 2023 financial statements have been reclassified to conform to the 2024 presentation, with no effect on the previously reported change in net position.

Subsequent events – The Hospital has evaluated subsequent events through October 17, 2024, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

As of June 30, 2024 and 2023, the Hospital had deposits invested in various financial institutions in the form of operating cash and cash equivalents in the amounts of \$1,218,272 and \$1,157,077, respectively. The Hospital is required by ORS Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain “qualified” financial institutions. As of and for the years ended June 30, 2024 and 2023, all of the Hospital’s deposits in financial institutions in excess of FDIC coverage were maintained at “qualified” financial institutions.

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

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

2. Bank Deposits and Investments (continued):

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

Local Government Investment Pool – The cash and cash equivalents recorded in the LGIP is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council, with advice from the Treasurer and Oregon Short-Term Fund Board, adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2024, the policy limited investments to Grade "A" investments including but not limited to U.S. Treasury, U.S. Agencies, corporate bonds, commercial paper, and foreign governments. A portion of the assets invested in the LGIP at June 30, 2024 and 2023, are included in cash and cash equivalents on the statements of net position. As of June 30, 2024 and 2023, the Hospital had \$412,268 and \$2,611,209 invested in the LGIP, respectively.

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

Credit risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The Hospital's investments in such obligations are in government investment funds, certificates of deposit, and money markets. The Hospital believes there is minimal credit risk with these obligations at this time. The LGIP is not rated, and the investments in the LGIP are not subject to the collateralization requirements of ORS 295.

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

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

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

3. Patient Accounts Receivable:

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

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

	2024	2023
Receivables from patients and other insurance carriers	\$ 2,612,150	\$ 1,990,458
Receivables from Medicare	2,510,997	1,690,322
Receivables from Medicaid	750,308	561,052
Total patient accounts receivable	5,873,455	4,241,832
Less allowance for uncollectible accounts	862,157	761,251
Patient accounts receivable, net	\$ 5,011,298	\$ 3,480,581

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

4. Property Taxes:

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

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

For the year ended June 30, 2024, the Hospital levied property taxes at the rate of \$3.9729 per \$1,000 of assessed property value and generated \$2,456,095 in property tax revenue. For the year ended June 30, 2023, the Hospital levied property taxes at the rate of \$3.9724 per \$1,000 of assessed property value and generated \$2,381,128 in property tax revenue.

5. Capital Assets:

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

Land improvements	2-20 years
Buildings and improvements	5-40 years
Fixed equipment	10-20 years
Movable equipment	2-20 years
Lease right-of-use assets – Buildings	2-7 years
Lease right-of-use assets – Equipment	2-7 years
Software right-of-use assets	2-7 years

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

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

5. Capital Assets (continued):

Capital asset activity was as follows:

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 402,197	\$ -	\$ -	\$ -	\$ 402,197
Construction in progress	56,483	12,503	-	(64,729)	4,257
Total capital assets not being depreciated or amortized	458,680	12,503	-	(64,729)	406,454
<i>Capital assets being depreciated or amortized</i>					
Land improvements	547,187	-	-	-	547,187
Buildings and improvements	9,545,387	102,713	(49,942)	53,688	9,651,846
Fixed equipment	594,738	-	-	-	594,738
Movable equipment	5,731,048	364,337	(12,747)	221,985	6,304,623
Lease equipment right-of-use assets	2,267,151	203,799	(444,289)	(210,944)	1,815,717
Software right-of-use assets	879,469	-	(60,607)	-	818,862
Total capital assets being depreciated or amortized	19,564,980	670,849	(567,585)	64,729	19,732,973
<i>Less accumulated depreciation and amortization for:</i>					
Land improvements	333,197	29,038	-	-	362,235
Buildings and improvements	7,701,687	197,209	(12,069)	-	7,886,827
Fixed equipment	467,774	24,994	-	-	492,768
Movable equipment	4,030,363	535,025	(11,411)	210,944	4,764,921
Lease equipment right-of-use assets	1,083,476	408,543	(440,073)	(210,944)	841,002
Software right-of-use assets	300,860	242,297	(60,607)	-	482,550
Total accumulated depreciation and amortization	13,917,357	1,437,106	(524,160)	-	14,830,303
<i>Total capital assets being depreciated and amortized, net</i>	5,647,623	(766,257)	(43,425)	64,729	4,902,670
Capital assets, net	\$ 6,106,303	\$ (753,754)	\$ (43,425)	\$ -	\$ 5,309,124

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

5. Capital Assets (continued):

	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 402,197	\$ -	\$ -	\$ -	\$ 402,197
Construction in progress	115,312	304,931	(7,813)	(355,947)	56,483
Total capital assets not being depreciated	517,509	304,931	(7,813)	(355,947)	458,680
<i>Capital assets being depreciated or amortized</i>					
Land improvements	487,726	-	-	59,461	547,187
Buildings and improvements	9,503,896	-	-	41,491	9,545,387
Fixed equipment	594,738	-	-	-	594,738
Movable equipment	5,475,836	217	-	254,995	5,731,048
Lease equipment right-of-use assets	1,679,813	535,675	51,664	-	2,267,152
Software right-of-use assets	361,163	518,305	-	-	879,468
Total capital assets being depreciated or amortized	18,103,172	1,054,197	51,664	355,947	19,564,980
<i>Less accumulated depreciation and amortized for:</i>					
Land improvements	305,757	27,440	-	-	333,197
Buildings and improvements	7,493,545	208,142	-	-	7,701,687
Fixed equipment	442,779	24,995	-	-	467,774
Movable equipment	3,480,975	549,388	-	-	4,030,363
Lease equipment right-of-use assets	675,290	436,506	(28,320)	-	1,083,476
Software right-of-use assets	90,757	210,103	-	-	300,860
Total accumulated depreciation and amortized	12,489,103	1,456,574	(28,320)	-	13,917,357
Total capital assets being depreciated and amortized, net	5,614,069	(402,377)	79,984	355,947	5,647,623
Capital assets, net	\$ 6,131,578	\$ (97,446)	\$ 72,171	\$ -	\$ 6,106,303

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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

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

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
<i>Long-term debt</i>					
Umpqua bank	\$ 1,171,723	\$ -	\$ (226,771)	\$ 944,952	\$ 232,938
Douglas County	97,485	-	-	97,485	-
Total long-term debt	1,269,208	-	(226,771)	1,042,437	232,938
<i>Lease and subscription liabilities</i>	1,478,720	233,252	(565,924)	1,146,048	504,347
<i>Other noncurrent liabilities</i>					
Medical malpractice claims liability	420,400	-	(420,400)	-	-
Total noncurrent liabilities	\$ 3,168,328	\$ 233,252	\$ (1,213,095)	\$ 2,188,485	\$ 737,285
	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
<i>Long-term debt</i>					
Umpqua Bank	\$ 1,392,608	\$ -	\$ (220,885)	\$ 1,171,723	\$ 226,841
Douglas County	228,925	-	(131,440)	97,485	-
Total long-term debt	1,621,533	-	(352,325)	1,269,208	226,841
<i>Lease and subscription liabilities</i>	-	1,478,720	-	1,478,720	524,935
<i>Other noncurrent liabilities</i>					
Medical malpractice claims liability	420,000	400	-	420,400	-
Medicare accelerated payments	1,275,588	-	(1,275,588)	-	-
Total noncurrent liabilities	1,695,588	400	(1,275,588)	420,400	-
Total noncurrent liabilities	\$ 3,317,121	\$ 1,479,120	\$ (1,627,913)	\$ 3,168,328	\$ 751,776

Note payable to Umpqua Bank – In May 2013, the Hospital entered into a loan agreement with Umpqua Bank for \$3,338,800 to refinance prior debt. Payments are due in monthly installments of \$21,319 with interest at 2.62 percent through June 2028. As a condition of the loan, the Hospital must maintain a debt service reserve fund and meet certain financial ratio covenants.

Note payable to Douglas County – In April 2006, the Hospital entered into a loan agreement (the County Loan Agreement) with the County to borrow up to \$850,000 to assist an unrelated third-party (the Developer) in developing certain home sites in a subdivision (the Subdivision) in Reedsport, Oregon. In connection with this development, certain roads and infrastructure were built so that an assisted living facility could potentially be constructed on some undeveloped land that was donated to the Hospital by the Developer. Borrowings under the County Loan Agreement were to accrue interest and are secured by the Subdivision, as well as the underlying land. Principal and interest amounts were due based on the net sales proceeds of home sites sold by the Developer (i.e., as sales were made, the proceeds, net of closing costs and realtor fees, were to be remitted by the Developer to the Hospital and then to the County and applied against outstanding accrued interest and borrowings under the County Loan Agreement).

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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

Any remaining unpaid amounts owed under the County Loan Agreement were originally due and payable in April 2021. In conjunction with entering into the County Loan Agreement, the Hospital entered into a development agreement with the Developer, whereby the Hospital loaned the developer \$1,050,000, the Developer agreed to remit all home site net sales proceeds to the Hospital until all outstanding borrowings under the County Loan Agreement (including interest) have been repaid, and the Developer granted the Hospital a security interest in the Subdivision. Any remaining unpaid amounts owed by the Developer to the Hospital were originally due and payable in April 2021. During the year ended June 30, 2018, the County Loan Agreement was modified (the Modification) such that if the Hospital repays the County \$612,000 by May 30, 2028, the debt to the County will be deemed to be fully repaid. If \$612,000 is not paid by the Hospital to the County by May 30, 2028, the amount owed to the County would be approximately \$1,134,000 (approximately \$845,000 originally loaned from the County to the Hospital plus accrued interest as of June 30, 2017, of approximately \$289,000) (as reduced by any subsequent payments). Also, under the Modification, interest is no longer being charged by the County under the County Loan Agreement. Similarly, the Hospital entered into a Modification of its agreement with the Developer such that if the Developer pays the Hospital \$612,000 by May 30, 2028, the receivable from the Developer will be deemed to be fully repaid. Also, if the Developer does not pay the Hospital \$612,000 by May 30, 2028, this Modification will be considered to be null and void, and the Developer would owe the Hospital approximately \$1,134,000 (as reduced by any subsequent payments).

During the year ended June 30, 2024, there were no home sites sold and as such, the Developer did not remit anything to the Hospital and the receivable from the Developer and the payable to the County remained at approximately \$97,000. During the year ended June 30, 2023, four home sites were sold and, accordingly, the Developer remitted approximately \$131,000 to the Hospital. The Hospital remitted such amounts to the County, reducing the receivable from the Developer and the payable to the County to approximately \$97,000. In the accompanying statements of net position, amounts due from the Developer are included in other assets, and amounts due to the County are included in long-term obligations. In the event of a default by the Hospital, all amounts due under the Modification may, at the County's discretion, become immediately due and payable by the Hospital.

Lease and subscription liabilities – The Hospital has other lease and subscription liabilities payable to various lenders in the amount of \$1,146,048, due in monthly installments between \$393 to \$17,072, including interest from 2 percent to 9 percent, through October 2029.

The Hospital's lease and subscription agreements do not contain any material residual value guarantees or material restrictive covenants.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

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

Scheduled principal and interest payments are as follows:

Years Ending June 30,	Long-term Debt		
	Principal	Interest	Total
2025	\$ 232,938	\$ 22,274	\$ 255,212
2026	239,199	16,013	255,212
2027	245,629	9,583	255,212
2028	227,186	2,989	230,175
Total	\$ 944,952	\$ 50,859	\$ 995,811

Years Ending June 30,	Lease and Subscription Liabilities		
	Principal	Interest	Total
2025	\$ 504,347	\$ 44,308	\$ 548,655
2026	287,568	21,798	309,366
2027	179,133	14,650	193,783
2028	120,048	6,487	126,535
2029	51,123	1,280	52,403
2030	3,829	19	3,848
Total	\$ 1,146,048	\$ 88,542	\$ 1,234,590

7. Defined Contribution Retirement Plan:

Eligible employees may make elective contributions to the Hospital's defined contribution retirement plan, Lower Umpqua Hospital District Employees' Savings Plan (the Plan), a 403(b) Savings Plan. The Plan covers substantially all of the Hospital's employees who have reached age 21 and have completed one year of employment with at least 1,000 hours of service.

The Hospital can make discretionary contributions to the plan on behalf of the employees.

During the years ended June 30 2024 and 2023, the Hospital contributed 5% of eligible employee's compensation to the Plan which resulted in \$613,096 and \$558,451 paid by the Hospital for 2024 and 2023, respectively. Participants are not vested in any of the Hospital's contributions until they have attained three years of service, at which time they become 100% vested. The Plan is administered by the Hospital and can be amended or terminated by the Hospital at any time. Forfeitures of nonvested contributions are used to reduce plan expenses.

Participant contributions to the Plan during the years ended June 30, 2024 and 2023, were approximately \$749,000 and \$706,000, respectively.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

8. Net Patient Service Revenue:

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. The Hospital's provisions for bad debts and writeoffs have not changed significantly from prior years. The Hospital has not changed its charity care or uninsured discount policies during the years ended June 30, 2024 or 2023. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2024	2023
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 17,721,955	\$ 16,120,916
Medicaid	5,998,714	5,206,109
Other third-party payors	8,017,083	7,556,717
Patients	633,225	682,666
	32,370,977	29,566,408
Less:		
Charity care	221,914	350,468
Provision for bad debts	603,927	614,531
Net patient service revenue	\$ 31,545,136	\$ 28,601,409

Lower Umpqua Hospital District
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Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

8. Net Patient Service Revenue (continued):

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

- *Medicare* – The Hospital is classified as a critical access hospital and is reimbursed for most inpatient, outpatient, and rural health clinic services at cost with final settlement determined after submission of annual cost reports by the Hospital and subject to audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.
- *Medicaid* – For patients covered by Medicaid, inpatient, outpatient, and rural health clinic services are paid at prospectively determined rates.

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

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Due to differences between original estimates and final settlements or revised estimates, net patient service revenue increased by approximately \$105,000 in 2024 and decreased by approximately \$1,288,000 in 2023.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2024 and 2023, were approximately \$155,000 and \$239,000, respectively.

9. CARES Act Employee Retention Credit:

In 2024, the Hospital claimed the CARES Act Employee Retention Credit (ERC) by amending its Form 941 Employer Quarterly Federal Tax Return for the first three quarters for 2021. The Hospital used a consultant to assist them with the filing and claiming of the ERC. As per the contract, the Hospital is to pay the consultant 15 percent of the ERC when it is received. The Hospital anticipates receiving the ERC in the year ending June 30, 2025.

Laws and regulations concerning the ERC are complex and subject to varying interpretations. ERC claims may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Hospital's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Hospital.

As of June 30, 2024, the Hospital recorded a receivable in the amount of \$3,887,164 and a payable to the consultant in the amount of \$583,075 in the accompanying statements of net position, and the corresponding nonoperating revenue of \$3,887,164 and nonoperating expense in the amount of \$583,075 in the accompanying statements of revenues, expenses, and changes in net position.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

10. Risk Management and Contingencies:

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

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

The Hospital also has excess professional liability insurance with UMIA on a claims-made basis. The excess malpractice insurance provides \$2,000,000 per claim of primary coverage with an annual aggregate limit of \$2,000,000.

The Hospital recorded an estimated liability for incurred by not reported (IBNR) medical malpractice claims of approximately \$420,000 as of June 30, 2023. During the year ended June 30, 2024, the Hospital elected to write off this liability. This write off was offset against the insurance expense account, resulting in a one-time credit balance in this account. Insurance expense is grouped with other expense in the accompanying statements of net position.

		2024
Balance of insurance expense prior to write off	\$	347,549
Write off of IBNR medical malpractice liability		(420,411)
Balance of insurance expense after write off	\$	(72,862)

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

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

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Notes to Financial Statements (Continued)
Years Ended June 30, 2024 and 2023

10. Risk Management and Contingencies (continued):

Collective bargaining agreement (CBA) – As of June 30, 2024, approximately 50% and 21% of the Hospital's employees are covered under CBAs with the United Food and Commercial Workers union (the UFCW) and the Teamsters Local 206 union (the Teamsters), respectively. As of June 30, 2023, approximately 52 percent and 20 percent of the Hospital's employees are covered under CBAs with the UFCW, respectively. The CBA with the UFCW expires on June 30, 2027, and the CBA with the Teamsters expires on May 31, 2028.

11. Concentrations:

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

The mix of receivables from patients was as follows:

	2024	2023
Medicare	48 %	47 %
Medicaid	18	18
Other third-party payors	25	24
Patients	9	11
	100 %	100 %

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

SUPPLEMENTAL INFORMATION

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Schedule of Resources and Expenditures – Budget vs. Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>			
Net patient revenue	\$ 31,863,264	\$ 31,545,136	\$ (318,128)
Other	506,000	686,530	180,530
Pharmacy	2,500,000	3,300,407	800,407
Provider tax revenue	1,249,645	1,000,231	(249,414)
Grants	-	146,157	146,157
Total operating revenues	36,118,909	36,678,461	559,552
<i>Operating expenses</i>			
Salaries and wages	16,118,322	16,231,814	(113,492)
Employee benefits	5,609,184	5,523,784	85,400
Professional fees and purchased services	8,115,027	8,186,949	(71,922)
Supplies	4,314,191	5,048,209	(734,018)
Utilities	401,268	341,397	59,871
Repairs and maintenance	316,034	395,898	(79,864)
Depreciation and amortization	1,373,079	1,437,106	(64,027)
Provider tax	1,249,645	1,000,231	249,414
Rent	172,190	182,899	(10,709)
Other	975,814	1,116,862	(141,048)
Total operating expenses	38,644,754	39,465,149	(820,395)
<i>Operating loss</i>	(2,525,845)	(2,786,688)	(260,843)
<i>Nonoperating revenues (expenses)</i>			
Property Tax	2,465,917	2,453,417	(12,500)
CARES Act Employee Retention Credit	-	3,887,164	3,887,164
CARES Act Employee Retention Credit professional fees	-	(583,075)	(583,075)
Other revenues and expenses, net	75,000	(54,491)	(129,491)
Total nonoperating revenues, net	2,540,917	5,703,015	3,162,098
Change in net position	\$ 15,072	\$ 2,916,327	\$ 2,901,255

ADDITIONAL REQUIRED REPORTS

**Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Audit Comments and Disclosures Required by Oregon State Regulations
Year Ended June 30, 2024**

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

We have audited the basic financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2024, and have issued our report thereon dated October 17, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements as of and for the year ended June 30, 2024, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Hospital was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of the ORS as specified in OAR 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-010-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

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



Luke Zarecor, Owner

DZA PLLC
Spokane Valley, Washington
October 17, 2024



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

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D3A PLLC

Spokane Valley, Washington
October 17, 2024