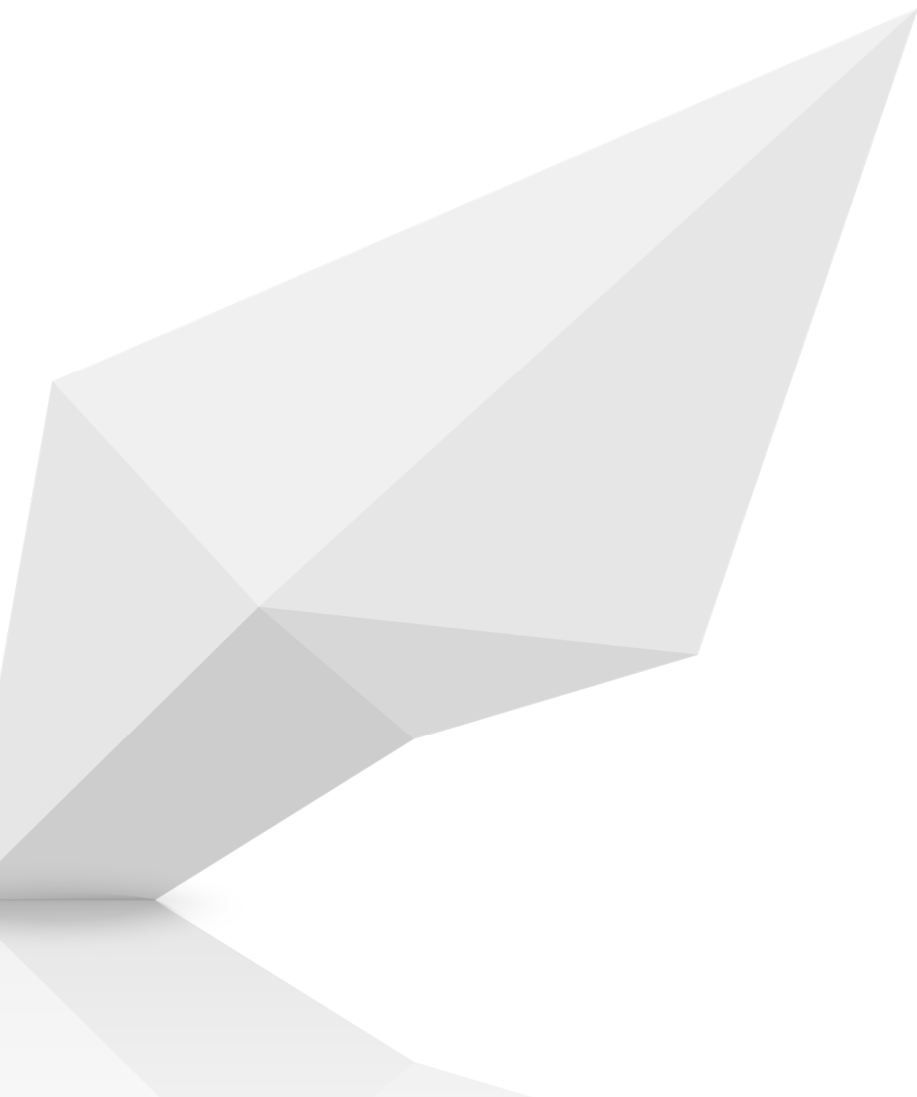


Morrow County Health District d/b/a Pioneer Memorial Hospital

Financial Statements and
Supplementary Information

Years Ended June 30, 2024 and 2023



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

Directory of Officials

June 30, 2024

	<u>Elected</u>	<u>Expiration</u>
Board of Directors:	Scott Ezell 75159 W. Oregon Lane Heppner, OR 97844	June 2025
	Donna Rietmann 70595 Dave Rietmann Road lone, OR 97843	June 2025
	Stephen Munkers PO Box 1185 Umatilla, OR 97882	June 2027
	Diane Kilkenny 430 Frank Gilliam Drive Heppner, OR 97836	June 2025
	Trista Seastone 165 SW Utah Avenue Irrigon, OR 97844	June 2027

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, 2024 and 2023, 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 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, 2024 and 2023, and the changes in financial 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, 2024, 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 23, 2024, 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 23, 2024

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

Years Ended June 30, 2024, 2023, and 2022

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, 2024, 2023, and 2022. 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 20% 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 decreased by \$1,268,255 to \$9,138,105 at June 30, 2024 and from \$10,406,360 in 2023 and \$10,398,043 in 2022.
- ⇒ Gross patient revenue decreased by \$817,143, or 5% in 2024, and increased by \$1,582,135, or 11% in 2023, and decreased by \$596,778, or 4% in 2022 and net patient revenue decreased by 11% in 2024, increased 21% in 2023, and 1% in 2022.
- ⇒ Net patient accounts receivable increased from \$1,609,990 at June 30, 2022 to \$2,141,311 at June 30, 2023, and increased from \$2,141,311 at June 30, 2023 to \$3,092,584 at June 30, 2024.
- ⇒ Total nonoperating revenue - net, including property taxes, decreased by \$442,688, or 8%, in 2024, increased by \$1,202,339, or 27%, in 2023, decreased by \$2,357,872, or 34%, in 2022. The decrease in 2024 was primarily due to reduced recognition of CARES Act related revenue.
- ⇒ The District's total overall operating expenses decreased by \$746,280, or 3%, in 2024, increased by \$4,588,602, or 26%, in 2023, and \$394,591 or 1% in 2022.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2024, 2023, and 2022

Financial Highlights (Continued)

- ⇒ Capital asset expenditures, including construction in progress, were \$271,553 during 2024. The largest costs were associated with software technology and related implementation costs.
- ⇒ 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. Voters approved an additional five year levy in November 2023, which was approved at the same rate as the previous levy to begin July 1, 2024.
- ⇒ The District's total tax revenue recognized was \$3,560,035 in 2024, \$3,379,550 in 2023, and \$2,568,197 in 2022.

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, 2024, 2023, and 2022

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 decreased by \$1,268,255 in 2024, increased by \$8,317 in 2023, and increased by \$714,733 in 2022, as reported in Table 2.

Condensed financial information for the years ended June 30, 2024, 2023, and 2022, is as follows:

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

<i>June 30,</i>	2024	2023	2022	<u>2024-2023</u>		<u>2023-2022</u>	
				\$ Change	% Change	\$ Change	% Change
Assets:							
Other assets	\$ 8,338	\$ 8,552	\$ 9,807	\$ (214)	-2.50 %	\$ (1,255)	-12.80 %
Capital assets	4,355	4,826	4,945	(471)	-9.76 %	(119)	-2.41 %
Total assets	\$12,693	\$13,378	\$14,752	\$ (685)	-5.12 %	\$ (1,374)	-9.31 %
Liabilities:							
Other liabilities	\$ 2,308	\$ 1,540	\$ 2,923	\$ 768	49.87 %	\$ (1,383)	-47.31 %
Long-term liabilities	1,247	1,432	1,431	(185)	-12.92 %	1	0.07 %
Total liabilities	\$ 3,555	\$ 2,972	\$ 4,354	\$ 583	19.62 %	\$ (1,382)	-31.74 %
Net position:							
Unrestricted	\$ 5,402	\$ 6,411	\$ 6,320	\$ (1,009)	-15.74 %	\$ 91	1.44 %
Net investment in capital assets	3,108	3,394	3,196	(286)	-8.43 %	198	6.20 %
Restricted	628	601	882	27	4.49 %	(281)	-31.86 %
Total net position	\$ 9,138	\$10,406	\$10,398	\$ (1,268)	-12.19 %	\$ 8	0.08 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2024, 2023, and 2022

Operating Results and Changes in the District's Net Position

The District's net position decreased by \$1,268,255 in 2024, increased by \$8,317 in 2023, and increased by \$714,733 in 2022 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>	2024	2023	2022	<u>2024-2023</u>		<u>2023-2022</u>	
				\$ Change	% Change	\$ Change	% Change
Operating revenue:							
Net patient service revenue	\$ 14,476	\$ 16,025	\$ 13,262	\$ (1,549)	-9.67 %	\$ 2,763	20.83 %
Other operating income	257	288	284	(31)	-10.76 %	4	1.41 %
Total operating revenue	14,733	16,313	13,546	(1,580)	-9.69 %	2,767	20.43 %
Operating expenses:							
Salaries and benefits	15,199	16,117	12,078	(918)	-5.70 %	4,039	33.44 %
Depreciation and amortization	728	736	691	(8)	-1.09 %	45	6.51 %
Supplies	1,194	1,592	1,288	(398)	-25.00 %	304	23.60 %
Other operating expenses	4,150	3,572	3,373	578	16.18 %	199	5.90 %
Total operating expenses	21,271	22,017	17,430	(746)	-3.39 %	4,587	26.32 %
Operating loss	(6,538)	(5,704)	(3,884)	(834)	14.62 %	(1,820)	46.86 %
Nonoperating revenue (expenses):							
Property tax revenue	3,560	3,380	2,568	180	5.33 %	812	31.62 %
Grant revenue	315	473	211	(158)	-33.40 %	262	124.17 %
Contract revenue	171	150	141	21	14.00 %	9	6.38 %
Interest earnings	107	129	35	22	-17.05 %	(164)	-468.57 %
Interest expense	(59)	(65)	(81)	6	-9.23 %	16	-19.75 %
Donations	30	23	699	7	30.43 %	(676)	-96.71 %
Gain on sale of assets	-	-	7	-	0.00 %	(7)	0.50 %
Other	1,145	1,623	930	(2,768)	-170.55 %	693	74.52 %
Total nonoperating revenue, net	5,270	5,712	4,510	(442)	-7.74 %	1,202	26.65 %
Excess (deficit) of revenue over (under) expenses	(1,268)	8	626	(1,276)	5,950.00 %	(618)	-98.72 %
Capital grants and contributions	-	-	89	-	0.00 %	(89)	-100.00 %
Net position, beginning of year	10,406	10,398	9,683	8	0.08 %	715	7.38 %
Net position, end of year	\$ 9,138	\$ 10,406	\$ 10,398	\$ (1,268)	-12.19 %	\$ 8	0.08 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2024, 2023, and 2022

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

Operating Losses

The overall operating loss increased by \$833,881 in 2024 and increased by \$1,802,189 in 2023. The decrease in operating revenue directly contributed to the increased loss over last year. Purchased services increased as a 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 decreased by \$442,688, or 8% because of recognition of CARES Act funding depleted in 2024 and increased by \$1,202,189, or 27%, in 2023 because of recognition of CARES Act related revenue.

Grants, Contributions, and Endowments

In 2024, the District received \$314,719 in grant funding. Grant varies from year to year, this year the largest 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 2024 totaled \$30,132 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 2023 to 2024 was 10%, while there was a 40% decrease from 2022 to 2023. 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 \$271,553 this year. The largest costs were associated with software technology and related implementation costs.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2024, 2023, and 2022

Capital Asset and Debt Administration (Continued)

Debt

The District did not acquire any new debt as of June 30, 2024. The District entered into a line of credit on May 20, 2024 with Bank of Eastern Oregon with convertible features with an outstanding balance of \$435,000 as of June 30, 2024 and was used for purchasing capital equipment and technology.

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 few years, 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

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

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.

Reimbursement Rates not keeping pace with Rising Costs

As costs increase, reimbursement rates do not keep pace with costs. This is true both of commercial and Medicare/Medicaid rates across multiple service lines, especially primary care clinics. This situation is unlikely to change in the near future.

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>	2024	2023
Current assets:		
Cash and cash equivalents	\$ 3,282,701	\$ 3,755,640
Receivables:		
Patient accounts - Net	3,092,584	2,141,311
Taxes	87,920	67,877
Other	210,677	119,597
Estimated third-party payor settlements	300,283	1,163,619
Inventories	525,178	461,847
Prepaid expenses	110,351	140,900
Total current assets	7,609,694	7,850,791
Noncurrent assets:		
Board-designated cash - Capital fund	100,000	100,000
Restricted cash and cash equivalents	627,935	600,901
Capital assets:		
Nondepreciable capital assets	592,971	644,106
Depreciable capital assets - Net	3,762,361	4,182,144
Total noncurrent assets	5,083,267	5,527,151
TOTAL ASSETS	\$ 12,692,961	\$ 13,377,942

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

<i>June 30,</i>	2024	2023
Current liabilities:		
Current portion of long-term debt	\$ 160,959	\$ 184,952
Line of credit	435,000	-
Accounts payable	519,826	300,335
Accrued compensation and related liabilities	603,741	670,307
Compensated absences	470,853	564,664
Estimated third-party payor settlements	273,596	-
Accrued interest	2,949	2,560
Unearned revenue	1,506	1,506
Total current liabilities	2,468,430	1,724,324
Noncurrent liabilities - Long-term debt, less current portion	1,086,426	1,247,258
Total liabilities	3,554,856	2,971,582
Net position:		
Net investment in capital assets	3,107,947	3,394,040
Restricted		
By donors	59,123	125,104
By grant and service contracts	568,812	475,797
Unrestricted	5,402,223	6,411,419
Total net position	9,138,105	10,406,360
TOTAL LIABILITIES AND NET POSITION	\$ 12,692,961	\$ 13,377,942

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

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30,	2024	2023
Operating revenue:		
Net patient service revenue	\$ 14,476,375	\$ 16,025,226
Other operating income	256,878	288,188
Total operating revenue	14,733,253	16,313,414
Operating expenses:		
Salaries and wages	11,617,969	12,365,386
Employee benefits	3,581,250	3,751,451
Professional fees	1,278,128	1,089,746
Supplies	1,194,174	1,592,491
Purchased services - Utilities	220,988	217,000
Purchased services - Other	1,636,804	1,082,707
Insurance	194,286	155,694
Other operating expense	819,532	1,026,890
Depreciation expense	728,075	736,121
Total operating expenses	21,271,206	22,017,486
Loss from operations	(6,537,953)	(5,704,072)
Nonoperating revenue (expenses):		
Property tax revenue	3,560,035	3,379,550
Grant revenue	314,719	472,951
Contract revenue	171,412	149,824
Interest earnings	106,809	129,332
Interest expense	(58,717)	(65,143)
Donations	30,132	21,713
Gain on (loss) sale of assets	(335)	100
HHS Provider Relief Fund income	-	1,040,483
Other nonoperating income	1,145,643	583,576
Total nonoperating revenue - Net	5,269,698	5,712,386
Change in net position	(1,268,255)	8,317
Net position - Beginning of year	10,406,360	10,398,043
Net position - End of year	\$ 9,138,105	\$ 10,406,360

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Statements of Cash Flows

<i>Years Ended June 30,</i>	2024	2023
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 14,662,034	\$ 13,870,142
Receipts from other operating revenue	165,798	310,979
Payments to and on behalf of employees	(15,359,596)	(15,573,657)
Payments to suppliers, contractors, and others	(5,157,203)	(5,296,238)
Net cash used in operating activities	(5,688,967)	(6,688,774)
Cash flows from noncapital financing activities:		
Taxation for operations	3,539,992	3,378,361
Cash received from grants, contract revenue, contributions, and donations	516,263	644,488
Net cash received from emergency COVID-19 funding -		
HHS Provider Relief grant	-	583,574
Proceeds from line of credit	435,000	-
Other	1,145,643	(68,188)
Net cash provided by noncapital financing activities	5,636,898	4,538,235
Cash flows from capital and related financing activities:		
Insurance proceeds	14,061	100
Principal paid on long-term debt and lease obligations	(184,825)	(316,315)
Interest paid on long-term debt and lease obligations	(58,328)	(65,630)
Purchase of capital assets	(271,553)	(617,540)
Net cash used in capital and related financing activities	(500,645)	(999,385)
Net cash provided by investing activities - Interest received	106,809	129,332
Net decrease in cash and cash equivalents	(445,905)	(3,020,592)
Cash and cash equivalents - Beginning of year	4,456,541	7,477,133
Cash and cash equivalents - End of year	\$ 4,010,636	\$ 4,456,541

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

<i>Years Ended June 30,</i>	2024	2023
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (6,537,953)	\$ (5,704,072)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Provision for bad debt	418,056	351,657
Depreciation expense	728,075	736,121
Changes in assets and liabilities:		
Receivables:		
Patient accounts - Net	(1,369,329)	(882,978)
Other	(91,080)	22,791
Inventories	(63,331)	(64,925)
Prepaid expenses	30,549	(26,372)
Accounts payable	219,491	(40,413)
Estimated third-party payor settlements	1,136,932	(1,623,763)
Accrued compensation	(160,377)	543,180
Total adjustments	848,986	(984,702)
Net cash used in operating activities	\$ (5,688,967)	\$ (6,688,774)

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 of America (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 20% and 17% of its financial support from property taxes in the years ended June 30, 2024 and 2023, respectively. The funds used to support operations were \$3,560,035 and \$3,379,550 for the years ended June 30, 2024 and 2023, 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. Voters approved an additional five year levy in November 2023, which was approved at the same rate as the previous levy to begin July 1, 2024.

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, 2024, 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, 2024 and 2023.

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:

	2024	2023
Included in the following statements of net position descriptions:		
Current assets:		
Cash and cash equivalents	\$ 3,282,701	\$ 3,755,640
Noncurrent assets:		
Board-designated cash - Capital fund	100,000	100,000
Restricted cash and cash equivalents:		
Restricted by donors	59,123	125,104
Restricted by grant and service contracts	568,812	475,797
Total restricted cash and cash equivalents	627,935	600,901
Total cash and cash equivalents	\$ 4,010,636	\$ 4,456,541

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 \$10,583,000 and \$11,089,000 for the years ended June 30, 2024 and 2023, 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, 2022.

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:

	2024	2023
Receivable from patients and their insurance carriers	\$ 1,760,764	\$ 1,408,805
Receivable from Medicare	1,621,315	667,877
Receivable from Medicaid	248,616	468,319
Total patient accounts receivable	3,630,695	2,545,001
Less - Contractual adjustments	(151,479)	103,308
Less - Allowance for uncollectible amounts	689,590	300,382
Patient accounts receivable - Net	\$ 3,092,584	\$ 2,141,311

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, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Nondepreciable capital assets:					
Land	\$ 135,700	\$ -	\$ -	\$ -	135,700
Construction in progress	508,406	271,553	-	(322,688)	457,271
Total nondepreciable capital assets	644,106	271,553	-	(322,688)	592,971
Depreciable capital assets:					
Land improvements	322,654	-	(779)	-	321,875
Buildings and improvements	5,970,361	-	(46,922)	83,234	6,006,673
Software	806,459	-	-	-	806,459
Equipment	7,563,816	-	(787,448)	239,454	7,015,822
Total depreciable capital assets	14,663,290	-	(835,149)	322,688	14,150,829
Total capital assets before depreciation	15,307,396	271,553	(835,149)	-	14,743,800
Less - Accumulated depreciation	(10,481,146)	(728,075)	820,753	-	(10,388,468)
Capital assets - Net	\$ 4,826,250	\$ (456,522)	\$ (14,396)	\$ -	4,355,332

As of June 30, 2024 the District has entered into various contractual commitments for the purchase of new software technology and related implementation costs. The total estimated cost of these projects is approximately \$3,634,316. These projects are expected to be completed by November 1, 2024.

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 5: Capital Assets (Continued)

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 6: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
<i>Direct borrowings:</i>					
Bank of Eastern Oregon Loan Refinance	\$ 771,404	\$ -	\$ (27,369)	\$ 744,035	\$ 28,603
Bank of Eastern Oregon Boilers	43,457	-	(28,704)	14,753	14,753
Bank of Eastern Oregon IMC Remodel	1,074	-	(1,074)	-	-
Bank of Eastern Oregon Boardman Ambulance Loan	6,717	-	(6,717)	-	-
Bank of Eastern Oregon Boardman Building Loan	88,716	-	(18,000)	70,716	18,742
Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan	48,535	-	(10,110)	38,425	10,269
Bank of Eastern Oregon Irrigon Clinic Building Loan	287,458	-	(47,098)	240,360	49,394
Bank of Eastern Oregon Ambulance	55,196	-	(31,082)	24,114	24,114
Greater E. Oregon Devel. Corp Morrow County House Loan	74,371	-	(8,188)	66,183	8,497
Greater E Oregon Devel. Corp Morrow County Church Loan	55,282	-	(6,483)	48,799	6,587
Total long-term debt	\$ 1,432,210	\$ -	\$ (184,825)	\$ 1,247,385	\$ 160,959

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, 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 Boilers	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 Irrigon Clinic Building Loan	332,518	-	(45,060)	287,458	47,130
Bank of Eastern Oregon Ambulance	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

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

- 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.
- 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 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.
- Bank of Eastern Oregon - Omnicell and Ultrasound Loan - Note dated July 25, 2018, due in monthly payments of \$6,710, including interest at 4.50% through 2023. Collateralized by the titled vehicles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- 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 - 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.
- 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 - Procedure 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.

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)

- 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 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.
- 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.

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

<i>Years Ending June 30,</i>	Direct borrowings		
	Principal	Interest	Total
2025	\$ 160,959	\$ 46,613	\$ 207,572
2026	126,779	41,218	167,997
2027	131,775	36,222	167,997
2028	124,429	31,084	155,513
2029	79,585	26,759	106,344
2030-2034	226,831	104,275	331,106
2035-2039	235,460	52,812	288,272
2040-2042	161,567	16,665	178,232
Totals	\$ 1,247,385	\$ 355,648	\$ 1,603,033

Morrow County Health District

d/b/a Pioneer Memorial Hospital

Notes to Financial Statements

Note 7: Line of Credit

The District has a line of credit with Bank of Eastern Oregon started May 20, 2024 in the amount of \$1,000,000 with interest at 6.15% with an outstanding balance of \$435,000 as of June 30, 2024. The line of credit matures July 15, 2024. The line of credit is collateralized by cash reserves.

Note 8: Net Patient Service Revenue

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

	2024	2023
Gross patient service revenue:		
Inpatient services	\$ 2,296,009	\$ 2,153,624
Outpatient services	12,665,660	13,625,188
Totals	14,961,669	15,778,812
Less:		
Contractual adjustments	67,238	(820,654)
Provision for bad debt	418,056	351,657
Net patient service revenue	\$ 14,476,375	\$ 16,247,809

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

	2024	2023
Medicare	52 %	51 %
Medicaid	20 %	21 %
Other third-party payors	23 %	24 %
Self-pay	5 %	4 %
Totals	100 %	100 %

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

Notes to Financial Statements

Note 9: Charity Care

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

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. Gross charges related to patients under the District's charity care policy were \$341,800 in 2024 and \$186,500 in 2023.

Note 10: Employee Benefits and Employee Retirement Plans

The District offers postretirement benefits through AIG VALIC.

Pension plan 401(a) - On July 1, 1998, the District established a defined contribution retirement plan, Morrow County Health District Retirement Plan, which provides retirement benefits to employees of the District. The plan is a profit-sharing plan established under Section 401(a) of the Internal Revenue Code (IRC). The plan covers full-time employees and part-time employees working more than 20 hours per week who are over the age of 18. The District contributes a flat percentage based on profit margin, but no less than 5% of employee earnings. Contributions to the plan from the District were \$418,268 and \$365,576 for the years ended June 30, 2024 and 2023, 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 \$3,661 and \$448,991 (including rollover contributions), with funds on deposit of \$3,565,677 and \$3,562,016 for the years ended June 30, 2024 and 2023, respectively.

Retirement benefits 403(b) - The District has a tax-sheltered annuity plan under Section 403(b) of the IRC that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. The plan allows the participant to make voluntary contributions. Employee annuity contributions are 100% vested. Total employee contributions and transfers to the plan during the year were \$333,351 and \$131,115 for the years ended June 30, 2024 and 2023, respectively.

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

Notes to Financial Statements

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

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

Plan	Value July 1, 2023	Additions	Interest Earned	Gain	Distributions/ Adjustments	Value June 30, 2024
401(a)	\$ 3,800,454	\$ 418,268	\$ 27,968	\$ 370,530	\$ (568,263)	\$ 4,048,957
457	3,562,016	458,445	29,934	314,863	(799,581)	3,565,677
403(b)	1,046,427	333,351	12,987	102,620	(100,678)	1,394,707

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

Note 11: 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.

The policy provides 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, 2024, which have not yet been asserted. The District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

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

Notes to Financial Statements

Note 12: Concentration of Credit Risk

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

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

	2024	2023
Medicare	44 %	27 %
Medicaid	7 %	19 %
Other third-party payors	19 %	33 %
Self-pay	30 %	21 %
Totals	100 %	100 %

Note 13: Provider Relief Funding

Starting in March 2020, the nation in general, and healthcare-related entities specifically were faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the District that both operational performance and cash flows for healthcare-related entities has been and will be impacted during the year ended June 30, 2024 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 \$0 and \$1,040,483 in nonoperating revenue related to this program during the years ended June 30, 2024 and 2023, respectively. Revenue from this program is included in the the statements of revenues, expenses, and changes in net position.

Note 14: Related-Party Transactions

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

Supplementary Information

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

Schedule of Patient Service Revenue

Year Ended June 30, 2024

	Hospital		Clinics			Ambulances			Home		Hospice	Total
	Inpatient	Outpatient	Heppner	Boardman	Irrigon	Ione	Heppner	Boardman	Irrigon	Health		
Daily patient services:												
Medical - Surgical	\$ 383,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,163
Swing bed program	1,128,765	-	-	-	-	-	-	-	-	-	-	1,128,765
Total daily patient services	1,511,928	-	-	-	-	-	-	-	-	-	-	1,511,928
Ancillary services:												
Clinic services	-	-	1,286,447	489,018	1,517,656	342,249	-	-	-	-	-	3,635,370
Home health	-	-	-	-	-	-	-	-	-	457,364	-	457,364
Hospice	-	-	-	-	-	-	-	-	-	-	716,667	716,667
ER with professional services	125,027	1,448,844	-	-	-	-	-	-	-	-	-	1,573,871
Radiology	31,637	621,062	-	-	-	-	-	-	-	-	-	652,699
CT scan	31,366	965,716	-	-	-	-	-	-	-	-	-	997,082
Laboratory	89,775	1,982,289	-	-	-	-	-	-	-	-	-	2,072,064
Electrocardiography	3,462	90,714	-	-	-	-	-	-	-	-	-	94,176
Respiratory therapy	40,446	45,049	-	-	-	-	-	-	-	-	-	85,495
Supplies and other	20,621	46,771	-	-	-	-	-	-	-	-	-	67,392
Pharmacy	341,080	925,114	-	-	-	-	-	-	-	-	-	1,266,194
Physical therapy	172,894	8,473	-	-	-	-	-	-	-	-	-	181,367
Procedure	-	2,392	-	-	-	-	-	-	-	-	-	2,392
Ambulance	-	-	-	-	-	-	596,047	573,530	478,031	-	-	1,647,608
Total ancillary services	856,308	6,136,424	1,286,447	489,018	1,517,656	342,249	596,047	573,530	478,031	457,364	716,667	13,449,741
Gross patient revenue	2,368,236	6,136,424	1,286,447	489,018	1,517,656	342,249	596,047	573,530	478,031	457,364	716,667	14,961,669
Medicare adjustments	2,106,812	(78,670)	225,004	14,860	72,972	109,622	(56,505)	(22,468)	(21,781)	(131,177)	(135,713)	2,082,956
Medicaid adjustments	69,826	(720,863)	49,135	(139,094)	101,117	23,123	(22,939)	(122,258)	(97,634)	(17,993)	(3,369)	(880,949)
Commercial adjustments	8,203	(243,318)	(184,615)	(122,673)	(217,829)	(48,715)	(8,238)	(14,630)	(8,762)	(18,685)	(37,128)	(896,390)
Administrative adjustments	(664)	(19,515)	595	(2,901)	(1,388)	(29)	-	-	-	(7,153)	-	(31,055)
Provisions for bad debt	(1,674)	(396,362)	(3,139)	-	(15,383)	(1,498)	-	-	-	-	-	(418,056)
Charity care	(131,222)	(162,964)	(19,987)	(6,414)	(17,509)	(3,685)	-	-	-	-	(19)	(341,800)
Total revenue deductions	2,051,281	(1,621,692)	66,993	(256,222)	(78,020)	78,818	(87,682)	(159,356)	(128,177)	(175,008)	(176,229)	(485,294)
Net patient service revenue	\$ 4,419,517	\$ 4,514,732	\$ 1,353,440	\$ 232,796	\$ 1,439,636	\$ 421,067	\$ 508,365	\$ 414,174	\$ 349,854	\$ 282,356	\$ 540,438	\$14,476,375

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

Year Ended June 30, 2024

	Personnel Services	Materials, Services, and Interest	Subtotal	Depreciation and Amortization	Total
Administration	\$ 1,457,626	\$ 680,285	\$ 2,137,911	\$ 51,281	\$ 2,189,192
Accounting services	236,067	94,543	330,610	-	330,610
Business office	549,732	135,720	685,452	-	685,452
Information systems	151,217	742,626	893,843	26,847	920,690
Dietary	161,702	138,054	299,756	2,451	302,207
Laundry	23,698	3,060	26,758	2,584	29,342
Housekeeping	153,857	18,651	172,508	-	172,508
Plant and maintenance	262,521	176,071	438,592	112,794	551,386
Central supply	172,960	15,352	188,312	-	188,312
Acute care	2,492,438	368,563	2,861,001	111,136	2,972,137
Pharmacy	85	592,149	592,234	735	592,969
Laboratory	339,308	651,905	991,213	13,827	1,005,040
IV therapy	-	1,819	1,819	-	1,819
Radiology	438,318	157,589	595,907	39,266	635,173
CT scan	1,394	125,308	126,702	-	126,702
Electrocardiography	78	4,886	4,964	-	4,964
Respiratory therapy	12,321	-	12,321	-	12,321
Emergency room	1,751,520	455,602	2,207,122	33,771	2,240,893
Medical records	118,193	558	118,751	-	118,751
Physical therapy	-	28,445	28,445	8,785	37,230
Swing bed	3,518	25	3,543	-	3,543
Swing bed NF	1,981	11,094	13,075	3,208	16,283
Procedure	-	-	-	2,586	2,586
Heppner ambulance	479,715	62,206	541,921	54,250	596,171
Subtotals	8,808,249	4,464,511	13,272,760	463,521	13,736,281
Home health	372,995	113,757	486,752	18,676	505,428
Hospice	669,174	139,826	809,000	-	809,000
Heppner clinic	1,546,864	160,453	1,707,317	14,882	1,722,199
Boardman clinic	908,347	123,140	1,031,487	68,965	1,100,452
Irrigon clinic	1,257,181	249,599	1,506,780	88,631	1,595,411
Ione clinic	224,972	37,461	262,433	1,545	263,978
Boardman ambulance	686,365	71,272	757,637	51,580	809,217
Irrigon ambulance	722,044	38,117	760,161	16,759	776,920
Ione ambulance	2,104	3,579	5,683	3,516	9,199
Lexington ambulance	924	914	1,838	-	1,838
Totals	\$ 15,199,219	\$ 5,402,629	\$ 20,601,848	\$ 728,075	\$ 21,329,923

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

Schedule of Resources and Expenditures - Budget and Actual

Year Ended June 30, 2024

	Filed Budget	Budget Amendments	Final Budget	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Resources:					
Net patient service revenue	\$ 19,197,348	\$ -	\$ 19,197,348	\$ 14,476,375	\$ (4,720,973)
Property/other taxes	3,578,486	-	3,578,486	3,560,035	(18,451)
Grants/contributions/other	2,276,658	-	2,276,658	1,918,449	(358,209)
Interest	125,000	-	125,000	106,809	(18,191)
Operating/capital loans	755,000	-	755,000	435,000	(320,000)
Total resources	\$ 25,932,492	\$ -	\$ 25,932,492	\$ 20,496,668	\$ (5,435,824)
Expenditures:					
Personal services	\$ 17,678,679	\$ -	\$ 17,678,679	\$ 15,199,219	\$ 2,479,460
Materials and services	5,309,887	-	5,309,887	5,402,629	(92,742)
Gross capital outlay	2,509,961	-	2,509,961	322,688	2,187,273
Debt service	187,742	-	187,742	184,825	2,917
Total expenditures	\$ 25,686,269	\$ -	\$ 25,686,269	\$ 21,109,361	\$ 4,576,908
Change in net position - Budgetary				\$ (612,693)	
Reconciliation of statutory operating expenditures to GAAP-basis operating expenses:					
Add: Purchase of equipment				322,688	
Add: Long-term debt and capital leases principal reductions				(250,175)	
Less: Depreciation and amortization				<u>728,075</u>	
Total effects of reconciliation				<u>(655,562)</u>	
Change in net position - GAAP				(1,268,255)	
Net position - Beginning of year				<u>10,406,360</u>	
Net position - End of year				<u>\$ 9,138,105</u>	

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

Year Ended June 30, 2024

<i>Fiscal Year</i>	Property Taxes Receivable July 1, 2023	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	Property Taxes Receivable June 30, 2024
2023-2024	\$ -	\$ 3,657,904	\$ (77,158)	\$ (4,582)	-	\$ (3,536,339)	\$ 39,825
2022-2023	31,352	-	66	(2,985)	-	(8,419)	20,014
2021-2022	15,606	-	175	(6,129)	-	2,615	12,267
2020-2021	11,405	-	190	(6,610)	-	4,115	9,100
2019-2020	8,121	-	3	(360)	-	(1,765)	5,999
2018-2019	534	-	-	(242)	-	(66)	226
2017-2018	356	-	-	(237)	-	(40)	79
Prior	503	-	-	-	-	(93)	410
Totals	\$ 67,877	\$ 3,657,904	\$ (76,724)	\$ (21,145)	-	\$ (3,539,992)	\$ 87,920

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

Schedule of Future Debt Service Requirements

Year Ended June 30, 2024

Maturing During Year Ending June 30,	Bank of Eastern Oregon Loan Refinance		Bank of Eastern Oregon Boilers		Bank of Eastern Oregon Boardman Building Loan		GEODC/Morrow County Boardman Building Loan		Bank of Eastern Oregon Irrigon Clinic Building Loan		Bank of Eastern Oregon Ambulance		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
2025	\$ 28,603	\$ 30,339	\$ 14,753	\$ 180	\$ 18,742	\$ 2,488	\$ 10,269	\$ 506	\$ 49,394	\$ 9,809	\$ 24,114	\$ 421	\$ 8,497	\$ 2,182	\$ 6,587	\$ 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	32,379	26,556	-	-	12,169	162	7,150	40	56,406	2,698	-	-	9,437	1,243	6,888	385	124,429	31,084
2029	33,749	25,186	-	-	-	-	-	-	29,072	384	-	-	9,772	907	6,992	282	79,585	26,759
2030-2034	191,406	103,272	-	-	-	-	-	-	-	-	-	-	20,564	759	14,861	244	226,831	104,275
2035-2039	235,460	52,812	-	-	-	-	-	-	-	-	-	-	-	-	-	-	235,460	52,812
2040-2042	161,567	16,665	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,567	16,665
Totals	\$ 744,035	\$ 311,831	\$ 14,753	\$ 180	\$ 70,716	\$ 5,304	\$ 38,425	\$ 1,090	\$ 240,360	\$ 25,610	\$ 24,114	\$ 421	\$ 66,183	\$ 8,538	\$ 48,799	\$ 2,674	\$ 1,247,385	\$ 355,648

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

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, 2024, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2024.

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 were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of 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 23, 2024

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, 2024, and have issued our report thereon dated October 23, 2024. 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 23, 2024
Spokane, Washington

Morrow County Health District
d/b/a Pioneer Memorial Hospital
Audit Comments and Disclosures Required by State Regulations
Year Ended June 30, 2024

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, 2024, 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 2024, 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 2022, 2023, and 2024 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, 2024, 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, 2024, 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, 2024

Programs Funded From Outside Sources

During the year ended June 30, 2024, 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, 2024.

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.