HCMO-1: Notice of Material Change Transaction

Attachment K

Detailed Information About Southern Coos Health District

1. Describe the Participating Entity.

a. Describe the Participating Entity's business, including business lines or segments.

Southern Coos Health District is a 501(c)(3) hospital district organized under Oregon law. It owns and operates Southern Coos Hospital and Health Center, a 21-bed critical access hospital located in Bandon, Oregon. It also owns and operates Southern Coos Hospital Primary Care Clinic. Southern Coos Health District's business lines or segments include emergency medicine services, inpatient services, outpatient services, behavioral health services, chronic disease management, imaging services, general surgery services, laboratory services, pain management, primary care services, respiratory services, surgical services, and a swing bed program.

b. Describe the Participating Entity's governance and operational structure (including ownership of or by a health care entity)

Southern Coos Health District is a 501(c)(3) hospital district governed by a five-member board of directors. Southern Coos Health District owns and operates Southern Coos Hospital and Health Center, as well as Southern Coos Hospital Primary Care Clinic. The governing documents for Southern Coos Health District are attached as **Attachment K, Exhibit 1.c.**

c. Provide a diagram or chart showing the organizational structure and relationships between business entities.

See **Attachment K, Exhibit 1.c**.

d. List all of the Participating Entity's business entities currently licensed to operate in Oregon using HCMO-1b: Business Entities form. Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

See **Attachment K, Exhibit 1.d**.

e. Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for the Participating Entity's Oregon business.

See **Attachment K, Exhibit 1.e**.

f. Describe and identify the Participating Entity's health care business. Provide responses to i-ix as applicable:

i. Provider type (hospital, physician group, etc.)
Southern Coos Health District is a 501(c)(3) health district that owns and operates Southern Coos Hospital and Health Center, a critical-access hospital, and Southern Coos Hospital Primary Care Clinic, a primary/family care clinic.

ii. Service lines, both overall and in Oregon
See response to item 1.a., above.

iii. Products and services, both overall and in Oregon
See response to item 1.a., above.

iv. Number of staff and FTE, both overall and in Oregon
Southern Coos Health District has 229 employees and 185 FTEs (both in Oregon and overall).

v. Geographic areas served, both overall and in Oregon
Southern Coos Health District serves Southern Coos County and Northern Curry County in Oregon, which have a combined population of 86,613 people.

vi. Addresses of all facilities owned or operated using HCMO-1c: Facilities and Locations form
See **Attachment K, Exhibit 1.f.vi**.

vii. Annual number of people served in Oregon, for all business, not just business related to transaction
Southern Coos Health District served about 10,000 people in 2025.

viii. Annual number of services provided in Oregon
Southern Coos Health District annually handles about 49,217 patient encounters.

ix. For hospitals, number of licensed beds
Southern Coos Hospital & Health Center has 21 licensed beds.

2. Describe all mergers, acquisitions, and joint ventures that closed in the ten (10) years prior to filing this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:

a. Legal names of all entities party to the transaction

b. Type of transaction

c. Description of the transaction

d. Date the transaction closed

N/A

Attachment K

Exhibit 1.b.

Governance Documents

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CASE NO. 91

FILE NO.

FILED MAY 16 1955

COUNTY CLERK

DEPUTY

PETITION FOR INCORPORATION

It is a felony for anyone to sign any initiative or referendum petition with any name other than his own, or knowingly sign his name more than once for the measure or to sign such petition when he is not a legal voter.

Petition for the incorporation of the district of Southern Coos General Hospital, in the County of Coos, State of Oregon, for the purpose of supplying for its inhabitants facilities for the care of sick and injured persons.

To the Honorable County Court of the State of Oregon for the County of Coos:

We, the undersigned, citizens and legal voters of the State of Oregon and the County of Coos, and residents within the limits of the district in said county hereinafter described, respectfully demand that there shall be submitted to the legal voters of the State of Oregon who reside and have continuously resided in said district for not less than 90 days immediately preceding the date of the election hereby petitioned for, in the said district described as follows, to wit:

Beginning at the Northeast corner of Section Three (3), Township Twenty-severn (27) South, Range Fourteen (14) West of the Willamette Meridian; thence South to the Southeast corner of Section Fifteen (15), Township Twenty-seven (27) South, Range Fourteen (14) West of the Willamette Meridian; thence East to the Southeast corner of Section Thirteen (13) Township Twenty-seven (27) South, Range Fourteen (14) West of the Willamette Meridian; thence South along the Range line between Ranges Thirteen and Fourteen (13 and 14) to the Southeast corner of Section Twenty-four (24), Township Twenty-nine (29) South, Range Fourteen (14) West of the Willamette Meridian; thence East to the Southeast corner of Section Twenty (20) of Township Twenty-nine (29) South, Range Thirteen (13) West of the Willamette Meridian thence South along the section lines to the Coos-Curry County line; thence West along the Coos-Curry County line to the Pacific Ocean; thence North along the low water

line of the Pacific Ocean to the Township line between Townships Twenty-six (26) and Twenty-seven (27) South, Range Fourteen (14) West of the Willamette Meridian; thence East along said Township line to the point of beginning.

the question whether or not said district shall be incorporated as a municipal corporation to be known as Southern Coos General Hospital district and to elect five directors to carry out the purposes of the incorporation in accordance with the provisions of that certain Act of the Legislative Assembly of the State of Oregon, passed at the regular session in the year 1949, entitled "An Act to authorize districts to incorporate as municipal corporations for the purpose of supplying their inhabitants with facilities for the care of sick and injured persons; to issue, sell and dispose of bonds and other securities; to levy taxes; and to have the right of eminent domain for such purposes," and each for himself says: I have personally signed the petition; I am a legal voter of the State of Oregon and the County of Coos, and resident of that portion of said county hereinbefore described. My residence and postoffice address are correctly written after my name.

	Name	Residence	Post Office
48	Mayme L. Froland	Rte. Box 814	Bandon
48	Henry Hohman	Rt. 1. Box 816	Bandon
48	Bertha Hohman	"	"
48	Leo. V. Cox	Box 789	Bandon
48	Viola Cox	"	"
48	J.M. Bernard	Box 613	Bandon
48	Russell Whitesides	Box 761	[illegible]
48	Irene A. Martindale	"	Bandon
48	Merlin C. Delamotte	Box RRI - 788	Bandon
48	Kathryne S. Delamotte	Rte 1 - Box 788	Bandon

	Name	Residence	Post Office
	Myrtle Stein	Langlewood	Bandon
48	Olga Chalfan	Rt 1 Box 819	Bandon
48	John Chalfan	Rt 1 Box 819	Bandon
48	Iza Thomas	Rt 1 Box 838	Bandon
—	Mrs L. G Thomas	Rt 1 Box 838	Bandon
			Tourmile Ore
52	Charles A. Eastman		Bandon
48	Alice Wright	Rt. 1 Box 612	Bandon
—	G. A. Anderson	Rt 1 Box 580	Bandon Ore
48	E. S. Carver	P.O. Box 417	Bandon, Ore
48	Lucille Carver	P.O. Box 417	Bandon, Ore
48	Helen D. Concannon	Rt. 1 - Box 802	Bandon

AFFIDAVIT

State of Oregon)
) ss.
County of Coos)

I Ernest Dahlke, being first duly sworn, say that:

1. Wayne L. Froland
2. Henry Hohman
3. Bertha Hohman
4. Geo. V. Cox
5. Viola Cox
6. F. M. Bernard
7. Russell Mortindale
8. Irene A. Martindale
9. Merlin E. Delameter
10. Kathryne S. Delameter
11. Myrtle Stein
12. Olga Chalfan
13. John Chalfan
14. L. A. Thomas
15. Mrs. L. A. Thomas
16. Charles A. Eastman
17. Alice Wright
18. C. A. Anderson
19. E. L. Carver
20. Lucile Carver
Helen D. Concannon

signed this sheet and each of them signed his name thereto in my presence; I believe that each has stated his name, postoffice address and residence correctly, and that each signer is a legal voter of the State of Oregon and of the County of Coos and resident within that portion of said county within the boundaries stated.

Ernest Dahlke
Affiant
Rt. 1, Box 798, Bandon, Ore.
Address

Subscribed and sworn to before me this 11th day of May, A.D. 19 55.

Myron D. Grady
NOTARY PUBLIC FOR OREGON
My Commission Expires 5/28/55

Southern Coos Health District Bylaws

Amended March 27, 2025

Article I Scope and Purpose

1. **Nature of District**

Southern Coos Health District is a municipal corporation of the State of Oregon which is organized, existing and exercising the powers and functions of a health district under Oregon laws relating to municipal corporations, special districts and health districts as approved by public vote in 1955. These bylaws are subject to applicable provisions of Oregon Revised Statutes relating to units of local government and health care facilities, including government ethics, public records and meetings, local budgets, public purchasing and contracting, and district elections, as they now exist or may hereafter be amended. In any cases of conflict, Oregon law supersedes these bylaws.

a. Amendment and Repeal. The Bylaws may be changed by a majority vote of the Board at any meeting of the Board of Directors.

b. Suspension. Any provision of these Bylaws may be suspended by the unanimous consent of the Board Members at any duly constituted meeting of the Board of Directors.

2. **The Purposes of the District are:**

- To assure quality health care with a personal touch is provided to every patient;
- To improve the health of the community served by the District;
- To assure the ongoing financial viability of facilities operated by the District;
- To build a culture of service excellence for our customers;
- To meet all provisions of Oregon law.

Article II District Board

1. **Members and Qualifications**

The business and affairs of the District shall be managed by a Board of Directors consisting of five (5) members. Board members shall be registered voters within the health district elected as provided by the applicable provisions of Oregon Revised Statutes relating to health care facilities.

2. **Conflicts of Interest**

Board members are strictly prohibited from using a position in public office for private financial gain. Board members must give public notice of any actual or potential conflict of interest at a public board meeting, and such notice will be reported in the meeting minutes. The disclosure shall be repeated and recorded in the meeting minutes in each instance where the matter is discussed.

a. Potential Conflict of Interest: Exists when a decision being deliberated by the board could result in financial gain or avoidance of financial loss to the board member, a relative of the board member, or a business owned by the board member or a relative of the board member. A potential conflict must be disclosed, but the board member may still participate in the discussion and vote on the issue.
b. Actual Conflict of Interest: Exists when a decision by the board will result in a financial gain or avoidance of financial loss to the board member, a relative of the board member, or a business owned by the board member or a relative of the board member. An actual conflict must be disclosed and the board member may not participate in discussion of the matter or vote on the issue.

3. **Election and Terms of Office**
Each newly elected Board member shall take an Oath of Office at the Board meeting in July. Board members appointed to fill vacancies shall take the oath at the first Board meeting they attend. The oath declares that the Board member will faithfully perform the duties of the office as required by law and will support the Constitution of the United States, the Constitution of the State of Oregon, and the laws made pursuant thereto. Each new Board member shall execute a Conflict of Interest Statement and a Confidentiality Statement. The term of office is four (4) years.

4. **Board Pay and Expense Reimbursement**
The members of the Board of Directors shall receive a stipend of $100 per month. Also, expenses shall be allowed for a Director's actual necessary traveling and incidental expenses incurred in the performance of official business of the District.

5. **Employment Restrictions**
No member of the District Board of Directors may be an employee of Southern Coos Hospital District & Health Center.

Article III Meetings of the Board

1. All meetings of the Board shall be conducted in accordance with the requirements of Oregon law.

2. District Boards must have a quorum in order to have an official meeting. A quorum shall consist of three (3) members which shall be sufficient to transact business. In Oregon, it takes a majority of the entire membership of the board to adopt a motion, resolution or ordinance or take any other action. A majority of a quorum is insufficient. This means that three affirmative votes on a five person board are required to pass a motion. All official business of the board shall be conducted only during said regular or special meetings at which a quorum is present and all said meetings shall be open to the public, except for executive sessions.

3. The agenda for Board meetings shall be developed by the Chair of the Board. Any Director may request a matter be added to the next regular meeting of the Board for which there is sufficient time to fully comply with all notice and agenda posting requirements. Board

members and administration should make every effort to ensure that agenda items they wish to be considered are submitted in a timely manner in advance of the meeting. However, a board member may also move to add an item to the agenda at the beginning of a meeting, subject to unanimous board approval. If approved by the board, the item will be added to the agenda to be considered as the last item under New Business.

4. **Regular Meetings:** The District Board shall hold at least one regular meeting each month at the Hospital or at such other location as determined by the Board. Notice of time and place designated for all regular meetings shall be posted in a public place and public notice provided at least 48 hours before the meeting by whatever means is considered most efficient and effective. Notice of changes of date or time or place of regular meetings shall be posted as above providing at least three (3) days prior to such meeting if possible.

5. **Special Meetings:** Special meetings of the Board may be called by the Chair, or the CEO or upon the written request of any two members of the Board. Sufficient notice of any special meeting shall be made by email or phone to each Board member at least two (2) days before the date of such meeting. In addition, notice must be posted in a public place and public notice provided by whatever means is considered most efficient and effective at least 24 hours in advance of the meeting date, time and place. The notice will include the principle subjects to be discussed.

6. **Executive Sessions:** Executive sessions of the Board may be called by the Chair, or the CEO or upon the written request of any two members of the Board. Executive sessions must conform to Oregon law, which limits the purposes for which such sessions may be called. Sufficient notice of any special meeting shall be made by email or phone to each Board member at least two (2) days before the date of such meeting. In addition, notice must be posted in a public place and public notice provided by whatever means is considered most efficient and effective at least 24 hours in advance of the meeting date, time and place. The Oregon Ethics Commission may investigate claims of violations of Executive Session laws on its own without necessarily receiving a complaint.

7. **Emergency Meetings:** An emergency meeting may be called and held in the same manner as a special meeting, except that the notice may be given less than 24 hours prior to the meeting and the Board shall place in the minutes the reason for the emergency.

8. Any member of the Board, or any committee established by the Board, may participate in the meeting gathering in a physical location, using electronic, video or telephonic technology, in order to communicate among participants.

9. A quorum of the members of the Board shall not, outside of a meeting conducted in compliance with Oregon Public Meetings Law, use a series of communications of any kind, directly or through intermediaries, for the purpose of deliberating toward a decision. This includes the following types of communications: in-person, telephone calls, videos, video-conferencing, written communications (including electronic written communications), use of intermediaries.

Article IV Board of Directors

1. **Authority**

Members of the Board of Directors may exercise authority with respect to the District and its affairs only when acting as part of the Board of Directors and during Board of Directors' meetings or meetings of authorized committees of the Board of Directors. The Chair of the Board of Directors is expected to confer with the Hospital Chief Executive Officer regarding committee agendas, and other matters between scheduled meetings of the Board of Directors. As individuals, Directors may not commit the District to any policy, act or expenditure except when specifically delegated by the Board.

2. **Duties and Fiduciary Responsibilities**

a. The Board of Directors shall have responsibility for the oversight of operations, affairs of the District, and its facilities according to the best interests of the District.
   1) Duty of Care. Directors shall exercise proper diligence in their decision-making process by acting in good faith in a manner that they reasonably believe is in the best interest of the District, and with the level of care that an ordinarily prudent person would exercise in like circumstance.
   2) Duty of Loyalty. Directors shall discharge their duties unselfishly, in a manner designed to benefit only the District and not the Directors personally or politically, and shall disclose to the full Board of Directors situations that they believe may present a potential for conflict with the purposes of the District.
   3) Duty of Obedience. Directors shall be faithful to the underlying purposes and mission of the District.
   4) Fiduciary duty. Directors act in the best interests of the District.
   5) If it is determined, by majority vote of the Board of Directors in office at that time, that a Director has violated any of their duties to the detriment of the District, such Director is subject to sanctions according to the procedures set forth in Article IV Section 6.

b. Upon the recommendation of the medical staff executive committee and the CEO the Board of Directors shall approve membership of the Medical Staff as well as the bylaws for the governance of the Medical Staff as provided in Article 7 of the District Bylaws. The Board of Directors may delegate certain powers to the Medical Staff and other adjunct organizations in accordance with the Medical Staff Bylaws.

c. Review and approve the Hospital's and clinic's Quality Assurance Program. Responsible for the quality of care rendered to patients by both the medical and professional staff.

d. Responsible for the financial soundness and success of the organization, and for strategically planning its future. It shall, upon recommendations of the Budget and Finance Committees review the annual operating budget and capital expenditures, and evaluate and approve financial statements for all financial matters of the District.

e. Hire the Chief Executive Officer (CEO) and approve the plans and budgets by which the CEO will accomplish the quality, financial and strategic goals of the Board.

Develop a performance review document for the CEO. Plan and establish the Chief Executive Officer's compensation.

f. Act as trustee for District assets.
g. Grant physician staff clinical privileges.
h. Identify health needs of the community and establish the District's role in meeting those needs.
i. Periodically review and evaluate the effectiveness of programs and services offered by the District.
j. Establish an appropriate orientation program for new Board members. Board members are expected to participate in the entire Board Orientation process and additional ongoing training.
k. Every Board Member is required to attend or view training provided by the Oregon Ethics Commission at least once during the member's term of office and verify the member's attendance.
l. The Board shall endeavor to eliminate from its decision-making processes financial or other interests possessed by its members that conflict with the District's interests.
m. The Board of Directors must approve all contracts, unless they have delegated this authority elsewhere, such as to the CEO. The scope of this delegation for approval of contracts, including assigning dollar limits to this authority.
n. Key reports should be regularly provided to the Hospital Board for review. These reports should include financial statements, Medicare cost reports, Quality and Patient Safety reports, Compliance and Regulatory reports, Risk Management and Incident reports, Grant and Funding reports, Strategic Planning reports, Human Resources reports, Board Governance and Ethics reports, and any other essential report so that the Board has the necessary information to make informed decisions about the operation compliance, and strategic direction of the Hospital and Healthcare Clinic

3. **Officers**

The officers of the District Board shall be a Chair, Secretary and Treasurer, all of whom shall be elected by the Board at the July meeting each year and shall hold office for a period of one year or until their successors have been elected.

a. The **Board Chair** shall preside at all meetings of the Board, shall execute documents which are official acts of the District or its Board, stating and putting to vote all questions which are regularly moved, or necessarily arise in the course of the proceedings, and to announce the result of the vote, shall make committee appointments upon approval of the Board, and implement processes designed to facilitate the collective awareness of the Board regarding major activities within the district so that all individual Board members are provided the opportunity to stay informed. During the absence of the Chair, any other Board member may perform the duties of the Chair.
b. The **Secretary** shall attest to documents executed by the Board, shall review correspondence to and from the Board and shall review and sign minutes of Board meetings. The Secretary shall perform such other duties as usually pertain to this office.

c. The **Treasurer** shall execute financial and banking documents when appropriate or authorized by the District Board.

4. **Resignations**

Any member may resign from the Board at any time by giving written notice to the Chair or Secretary of the Board, and the acceptance of such resignation shall not be necessary to make it effective.

5. **Vacancy**

Board vacancies shall occur if a duly elected Board member resigns, is recalled, or cannot fulfill the duties of office. A vacancy shall be filled by vote of a majority of the remaining Board members. The appointee shall serve until the next regular election for that position. If the remaining Board members cannot agree on a majority vote, the selection of appointee shall be turned over to County Board of Commissioners or as provided by Oregon law.

6. **Determination of and Sanctions for Misconduct in Office**

The Board shall establish a Board Sanction Policy to address individual Board misconduct or malfeasance in office. Such Policy will be reviewed periodically. The Policy will describe the process to be utilized by the Board in circumstances where an individual Board Member has been found by a majority of the Board to have violated their duties to the detriment of the District, violated the provisions of the Bylaws or any Board Policy. The Board Sanction Policy will be consistent with the laws of the Oregon Government Ethics Commission.

Article V Committees

1. **Committees and Powers**

a. Committees of the Board shall be Standing, or Advisory and established by majority vote of the Board. Standing Committees shall be the Budget Committee, Quality & Patient Safety Committee, Finance Committee and such other standing committees as the Board may authorize.
b. The Board liaisons to each committee shall be appointed by the Board following the July meeting. Board liaisons do not vote at committee meetings. Members of each committee shall hold office for one year or until their successors are appointed. The Board liaison will fill any vacancies that occur on their committees.
c. Committees shall have power to act only as stated in these Bylaws or as conferred by the District Board in specific matters.
d. Committee members may include persons in advisory or consulting capacity, who are not residents of the District.
e. Minutes shall be recorded for all committee meetings and filed in the appropriate manner per Southern Coos Health District & Health Center policy and by applicable Oregon law.
f. Qualifications for committee members will be as follows:
   1) Committee members need not be residents of the district.

2) Neither district employees nor persons having a contractual relationship with the district may serve on district committees as public members.

g. Board members may suggest persons for committee membership.

h. The district will give public notice of committee vacancies.

i. The board may, by majority vote, remove a member of the public from a district committee prior to the expiration of the term of office.

j. Committees and their members have no authority to represent the district's official position on any matter except by express and explicit approval of the board for such.

2. **Standing Budget Committee**

The Budget Committee shall consist of the CEO, CFO, all members of the Board and at least five (5) members of the community. The Board liaison to the Finance Committee shall serve as the Chair of the Budget Committee. The Budget committee shall meet once annually, and as needed, in a public meeting to review and approve the annual operating budget for adoption by the District Board and submission to Coos County.

3. **Standing Quality and Patient Safety Committee**

The Quality and Patient Safety Committee shall consist of the CEO, CFO, CNO, CMO, Quality Risk Manager, hospital department managers and one (1) Board Member liaison who shall be appointed by the Chair of the Board, following Board approval, following the July meeting. The Quality Risk Manager shall act as the Committee chair.

a. The Committee meets monthly to consider all matters concerning the clinical and safety operations of the facilities, the Medical Staff Bylaws, credentialing and privileges of medical staff, and other matters concerning professional practice.

b. The Committee ensures the quality of care rendered in the District's facilities is at the highest level when compared to national standards and that actions are taken on behalf of the Board to ensure the safety and well-being of the citizens served. The duties of the Committee shall include but are not limited to:

1) Regularly review and approve the systems annual and long-term quality assurance plans to ensure the identification, assessment, and resolution of patient care issues.

2) Review, assess and establish that the system is meeting regulatory and governmental requirements and standards pertaining to the delivery of quality medical care in all its facilities and programs.

3) Monitor institutional liability/risk experience and ensure proper systems are put in place to reduce exposure to loss.

4) Review, assess and establish that credentials of Medical and Allied Health Staff are reviewed and privileges granted are renewed based on demonstrated professional competence and adherence to the bylaws and code of conduct set forth by the Medical Executive Committee.

5) Provide oversight to the development and management of educational endeavors to improve staff performance and skills in the completion of their clinical care responsibilities.

6) Regularly review and assess quality care reports, statistics and programs from Medical Staff and system departments to identify trends or clinical care issues and to recommend stewardship where appropriate.
7) Perform such other duties as assigned by the Board.

c. The Committee also serves as a formal means of liaison to assure effective communication between the Board of Directors and the Medical Staff.
d. The Quality and Patient Safety Committee shall report its findings and recommendations with respect to these issues at ~~to~~ the monthly District Board Meeting.

4. **Standing Finance Committee**

The Finance Committee shall consist of the CEO, CFO, 1 Board member liaison, and at least 3 members of the community. The Board member shall be appointed by the Chair of the Board, following Board approval, following the July meeting and will act as Board liaison to the Committee and as the committee chair.

The Finance Committee shall meet the first, second and third quarters of the fiscal year to review the financial status of the District and make recommendations based thereon. The annual Budget Committee meeting shall take the place of the fourth quarter meeting of the Finance Committee.

5. **Additional Standing Committees**

a. The board will create additional standing committees as needed for each major service area.
b. Terms for standing committees will be determined by the Board
c. Standing committees will report and/or respond to questions from the Board as requested.

6. **Ad Hoc Advisory Committees**

The Board may create ad hoc committees as needed to assess the needs of the district, evaluate existing programs and/or facilities, and recommend long-range goals and plans, or any other needs as determined by the board. Any ad hoc advisory committees formed will operate for such time as needed to accomplish the assigned purpose and may be discharged after their recommendations to the board, or at any other time at the discretion of the board. All recommendations must be ratified by the Board prior to any action taken.

Article VI – Administrator

The District Board shall employ a competent and qualified person to act as Administrator of the Health Care District, and the Board shall evaluate the performance of such administrator yearly. Such Chief Executive Officer (CEO) of the District shall exercise supervision and control over the Administrative functions of the District. The Administrator shall have the following powers, duties, functions, and responsibilities.

1. Responsible for carrying out policies and programs adopted by the Board and for following regulations provided by law or by the District Board.

2. Develop a plan of organization for the personnel involved in the operation of the District facilities and programs, have responsibility for the selection, employment, control, and discharge of employees and the development and maintenance of personnel policies and practices, shall establish means for accountability on the part of subordinates and shall provide for lines of authority and communication within and between District facilities, medical staff, auxiliary, and other personnel.

3. Shall ensure that the established mechanisms relating to the functions of the Medical Staff organization are carried out and to act as the official channel of contact between the District Board and the Medical Staff. The Administrator shall have the following specific powers:
   a. To grant temporary privileges to Medical Staff whenever such action is in the best interest of patient care or safety, or to prevent disruption of its operation.
   b. To summarily suspend all or any portion of the clinical privileges of a member of the medical staff whenever such action must be taken immediately in the best interest of patient care or safety to prevent disruption of District operations.

4. Shall attend meetings of the District Board and shall serve as liaison officer for communications between the District Board, its committees, medical staff, and the Foundation.

5. Shall prepare a proposed strategic plan for approval and adoption of the District Board and shall annually and as needed recommend appropriate modifications to such plan.

6. Shall be responsible for preparation of a proposed annual budget and for carrying out the fiscal policies of the District.

7. Shall pursue a continuing program of education in health care, administrative, and management systems and procedures and may participate in community, state, and national hospital associations and other professional activities.

8. Shall be employed by the District Board and, after receiving and reviewing an annual evaluation, the administrator's compensation shall be determined by the Board.

9. Responsible for continual planning and marketing of District services including program evaluation and development of new services taking into account clearly defined service populations, current technology and financial viability.

Article VII Medical Staff

1. **Medical Staff**
   The Medical Staff shall be organized in accordance with the Medical Staff Bylaws. The Medical Staff shall govern its own affairs, elect its own officers, and conduct meetings in accordance with Medical Staff Bylaws.

2. **Medical Staff Bylaws**

Medical Staff Bylaws and related rules and regulations for the government and operation of the Medical Staff may be proposed and recommended by the Medical Staff to the District Board, but only those bylaws, rules and regulations which are adopted by the District Board shall become effective. In the exercise of the powers and functions delegated to it by the laws of the State of Oregon, the District Board shall adopt, amend, carry out and enforce rules and regulations for the government and operation of the Medical Staff and any of its functions and services.

3. **Conflicts with Medical Staff Bylaws**

In the event that any of the provisions of the Medical Staff Bylaws are in conflict with any of the provisions of the Southern Coos Hospital District & Health Center Bylaws, the District bylaws shall be deemed to be controlling.

4. **Medical Staff Membership**

a. Membership on the Medical Staff is a privilege which shall be extended only to persons professionally competent in their related fields, licensed to practice in the State of Oregon, and whose education, training, experience, demonstrated competence, references and professional ethics, assures, in the judgement of the District Board, that any patient admitted to or treated in Southern Coos Hospital and Health Clinic will be given high quality professional care. Each applicant and member shall agree to abide by the District Bylaws, Hospital & Clinic Policies and Procedures, Medical Staff Bylaws and Rules and Regulations.
b. The District Board shall review and act upon the advice and recommendations of the Medical Staff, and shall give careful consideration for clinical privileges at our healthcare facilities.
c. Duration. Appointment to the Medical Staff shall be for a maximum term of two (2) years. Medical Staff members shall be reappointed bi-annually in the month 23 calendar months from the time privileges were most recently granted to the applicant.
d. The Medical Staff will also make recommendations to the District Board concerning appointments, reappointments, alterations of staff status, the granting of clinical appointments, disciplinary actions, other matters relating to professional competency, and such other related matters as may be referred to it by the District Board.

5. **Allied Health Professionals**

The categories of allied health professionals eligible to hold specific practice privileges to perform services within the scope of their licensure, certification, or other legal authorization and corresponding privileges, prerogatives, terms and conditions for each such allied health professional category or practitioner shall be determined by the CEO upon recommendations received from the Medical Staff executive committee.

6. **Accountability**

The Medical Staff shall conduct continuing review and appraisal of the quality of professional care provided in District facilities, and shall, at least annually, or more frequently as needed, report such activities and their results to the District Board.

7. **Exclusion from the Medical Staff**
The District Board shall have the power to exclude from Medical Staff membership, to deny reappointment to the Medical Staff, or to retract privileges, of anyone who has not exhibited that standard of education, training, experience, and demonstrated competence, which will assure, in the judgement of the District Board, that any patient admitted to or treated in the Hospital or Health Clinic will be given high quality professional care.

Article VIII Indemnification

To the extent consistent with applicable Oregon laws, Southern Coos Health District and Health Center shall indemnify any Board Member or officer in connection with proceedings that arise from their service on behalf of the District if (a) they acted in good faith and in a manner that they reasonably believed to be in ~~to~~ the best interests of the District; and (b) with respect to any criminal proceeding, they had no reasonable cause to believe conduct was unlawful. It is intended that the rights of indemnification provided hereunder shall be as broad as permitted under the Government Code of the State of Oregon. The District may advance expenses, including attorney's fees, for which the Board member or Officer is indemnified pursuant to this Article.

The District authorizes Southern Coos Health District & Health Center to purchase and maintain insurance on behalf of directors and officers against liabilities imposed upon them by reason of actions taken in their official capacity, their status as an officer or director, or arising from Southern Coos Health District & Health Center request(s).

Article IX Public Meeting Laws Violation

Anyone who believes a governing body has violated public meetings laws may, within 30 days of the alleged violation, file a written grievance with the Board, setting forth the specific facts and circumstances of the alleged violation. The Board must provide a written response within 21 days acknowledging receipt; denying the claim and setting out corrected facts and circumstances; admitting to them and explaining why they are not in violation; or admitting the violation happened and setting out a plan to address it. The written grievance and the response must be filed with the Oregon Ethics Commission.

Article X Foundation

The District Foundation shall develop and adopt Bylaws to delineate the purpose and function of the organization, form its own Board of Directors to include one (1) Board Member liaison, and establish a means of accountability to the District Board. Such Bylaws shall be in conformity with the policy of the Board and shall become effective upon approval of the Board.

Amended and adopted March 27, 2025.

Signed:

Thomas Bedell, Chairman

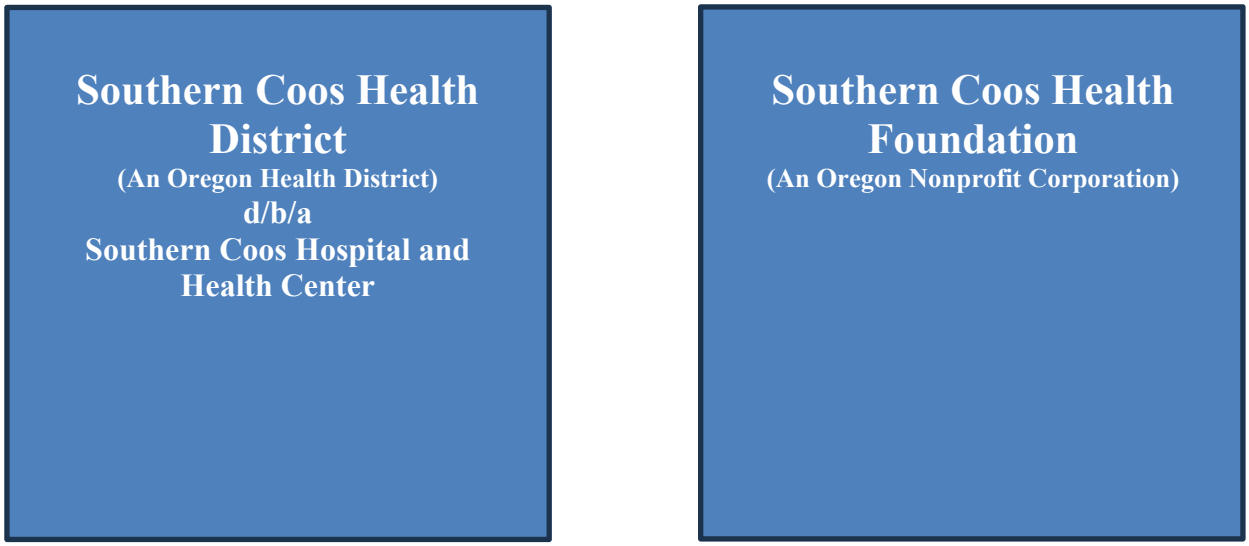
Mary Schamehorn, Secretary

Attachment K

Exhibit 1.c.

Organizational Chart or Structure

ORGANIZATIONAL CHART
SOUTHERN COOS HEALTH DISTRICT



Notes:

- Southern Coos Health District has no affiliates.

Attachment K

Exhibit 1.d.

HCMO-1b: Business Entities Form

Health Care Market Oversight (HCMO) Program
HCMO-1b: Business Entities Form

List all business entities associated with parties to the proposed material change transaction that are currently registered to operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

Definitions

"**Business Name**" refers to the legal business name as reported to the Internal Revenue Service.

"**Assumed Business Name**" has the meaning provided in ORS 648.005.

"**Business Structure**" refers to type of structure, such as a corporation, partnership, LLC, or other.

"**Date Formed or Incorporated**" refers to the date when the business entity was formed or incorporated.

"**Jurisdiction**" refers to the state of domestic registration.

"**Principal Place of Business**" is the physical street address where the business is located.

"**FEIN**" means the 9-digit federal tax identification number assigned by the Internal Revenue Service.

Business entities associated with Party A

Entity Name: Southern Coos Health District

Business Name	Assumed Business Name	Business Structure	Date Formed or Incorporated	Jurisdiction	Principal Place of Business	FEIN
Southern Coos Health District	Southern Coos Hospital & Health Center	501(c)(3) public health district	July 23, 1955	Oregon	900 11th Street SE, Bandon, Oregon 97411	93-6013768
Southern Coos Health Foundation	NA	501(c)(3) nonprofit corporation	April 13, 2007	Oregon	900 11th Street SE, Bandon, Oregon 97411	26-1328991

Attachment K

Exhibit 1.e.

Financial Statements

Reports of Independent Auditors
and Financial Statements
(with Supplementary Information)

Southern Coos Health District

June 30, 2023 and 2022

MOSSADAMS

Table of Contents

DISTRICT OFFICIALS

As of report issuance date

BOARD OF DIRECTORS

Brent Bischoff, Chairman

Tom Bedell, Treasurer

Mary Schamehorn, Secretary

Norbert Johnson, Director

Pamela Hansen, Director

REGISTERED AGENT

Raymond Hino, CEO

REGISTERED OFFICE

Southern Coos Hospital and Health Center

900 11th Street SE

Bandon, Oregon 97411

LEGAL COUNSEL

Robert Miller

1010 1st Street S.E.

Bandon, Oregon 97411

541-347-6075

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Southern Coos Health District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern Coos Health District (the District), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Southern Coos Health District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Southern Coos Health District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 Southern Coos Health District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Coos Health District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement Number 96 for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The schedule of adopted appropriations and expenditures, original and final budget and actual as required by Oregon State Regulations, the combining statement of net position, and the combining statement of revenues, expenses, and changes in net position 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 schedule of adopted appropriations and expenditures, original and final budget and actual, the combining statement of net position, and the combining statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic 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 31, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 31, 2023, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Moss Adams LLP

Portland, Oregon
October 31, 2023

Management's Discussion and Analysis

Southern Coos Health District
Management's Discussion and Analysis

Management of Southern Coos Hospital and Health Center provides this Management's Discussion and Analysis to provide an interpretive context to enhance the reader's awareness and understanding of some of the elements and issues influencing the organization's financial position for the fiscal years ended June 30, 2023, 2022, and 2021. This overview represents management's perspective and should be viewed as a source of information complementary to the financial statements themselves.

About the District – Southern Coos Health District (the District) is a non-profit, municipal corporation (which includes a hospital, primary care clinic, and wound care clinic). The District serves a very large, predominantly rural, non-metropolitan geographic area in southern Coos County, Oregon, inclusive of the city of Bandon and the surrounding area. The Federal Government has designated Coos County as a Medically Underserved Area (MUA). The reported population of Bandon as of 2020 was 3,331. The District's service area includes approximately 7,600 people.

The District was established in 1955. Its hospital is licensed for 21 acute care beds. The District serves the residents of the community by providing 24-hour Emergency Room, Acute in-patient beds, Swing beds and Observation Services. Other services provided include; Laboratory, Diagnostic Imaging, MRI, CT, Mammography, Ultra Sound, Echo's, Surgical Services, Respiratory Care, Wound Care Clinic and Primary Care Clinic which includes Osteopathy and Licensed Clinical Social Work services. A five-member elected Board of Directors governs the District. The Chief Executive Officer manages operations. The District employed 195 and 169 people on June 30, 2023 and June 30, 2022, respectively, and has annual salary and benefits costs of approximately $16.0 million. In November 2000, the District received designation as a Critical Access Hospital (CAH) allowing the hospital to receive Medicare reimbursement on a cost basis, which is higher than what the District would receive without this designation.

The District serves a high proportion of Medicare patients, Medicaid patients, and patients without the ability to pay for services received (identified as charity and bad debt).

The community supports the hospital with a property tax at the rate of $0.8892 per $1,000 of assessed valuation that provides an important resource to help enable the facility to continue to serve the needs of those without the ability to pay for services rendered. While helpful, this tax support along with fund raising from the Foundation (a separately organized 501(c)(3) entity that operates to support the hospital) covers less than 5% of the hospital and clinic operating expenses. The remaining 95% of the funding needed to operate the hospital and clinic comes solely from amounts collected for hospital and clinic services billed.

Issues facing the District – Bandon's economy, like other Oregon coastal communities is based on tourism, governmental and institutional functions, fishing and timber. Many in Bandon are either self-employed, work for small businesses or are retired. This lowers the amount of employer-sponsored health insurance plans (commercial insurance). The majority of the Districts' commercial business comes from hospital employees covered under the group health plan, the City of Bandon, Bandon School District and Bandon Dunes. With the older population and less employer-based health insurance, it is an ongoing challenge to achieve a positive bottom line from operations. Bandon has a high number population covered either by Medicare or by Medicaid. The payor mix in 2023 was 63% Medicare, 18% Medicaid, 18% Commercial and Other payors and 1% Self-Pay. The payor mix in 2022 was 61% Medicare, 19% Medicaid, 18% Commercial and Other payors and 2% Self-Pay.

There are twenty-five Critical Access Hospitals in Oregon. Like most Critical Access Hospitals, the District has struggled with the rising costs of care, decreased reimbursements, as well as recruitment and retention of physicians and staff. For the past several years, the District faced staffing challenges with Physicians, RN's, CNA's, Lab and Radiology Techs as well as other administrative healthcare professionals. In 2022 and 2023, the District had several key positions open, most notably the CEO position as well as other essential clinical and administrative leadership positions. Southern Coos Hospital has been committed to an ongoing effort to recruit and retain staff in all departments, improve morale, and increase focus on proactive communication. In May and June 2022, the District drafted and approved a Strategic Plan that prioritizes key strategies in the areas of People, Service, Quality, Growth, Finance and Accreditation and Regulatory Compliance. The strategic plan is an actionable living plan that prioritizes transparency, collaboration, accountability and expected completion dates for improvement projects.

Southern Coos Hospital and Health Center is the second largest employer in Bandon and offers highly skilled well-paying professional jobs as well as entry-level positions. The hospital is a critical component of Bandon's economy. The hospital buys local when possible and the majority of our staff live and shop in Bandon. The hospital also adds to the attractiveness of the community as a place to relocate to or a wonderful place to retire.

Other issues facing the District:

- Skilled labor shortages – High skilled clinical and nonclinical functions such as nursing, medical technologists and healthcare administrative functions have been difficult to fill on a fulltime basis. Skilled clinical labor shortages have been reported nationwide due to various economic and social pressures which have impacted the Oregon and south coast labor markets. As a result, the District has utilized extensive interim labor to cover these shortfalls, which are higher cost than fulltime permanent employees.

- Increased costs of technology – The high cost of technology related to both clinical, billing, and financial technology. Starting in FY 2023, the District began a thorough process to identify and evaluate potential replacements of its current Electronic Health Records (EHR) and Enterprise Resource Planning (ERP) information systems. This evaluation will be completed during FY 2024.

- DNV Accreditation – During FY 2023, the District completed its first DNV Accreditation survey. DNV's NIAHO standards are approved by CMS and provide healthcare organizations with a clear framework for required compliance and improvements for patient safety and quality care. The District will undertake additional annual surveys to support the development of continual improvement and establish best practices.

- Supply chain disruptions – Lingering supply chain disruptions have extended delivery times on critical supplies and equipment. The District has invested in its supply chain services division with enhanced personnel and an improved organizational structure to bolster performance, reliability and responsiveness to support the hospital and clinical operations.

- Revenue and documentation improvement – The District has been focusing on improvements to its patient registration and clinical documentation process to support billing and collections of patient accounts.

- State Medicaid funding – Medicaid funding growth through the Coordinated Care Organizations has been capped, impacting provider reimbursements.

- On-going regulatory demands and reporting – Clinical quality and regulatory reporting demands continue to expand. The District has invested in organizational structure improvements and higher skilled personnel to support its Risk, Quality and Compliance functions in 2022 and 2023.

- Local housing shortages – The District's service area, inclusive of Bandon and surrounding geographies has experienced significant shortages of affordable housing increasing the challenge for people relocating to the area.

On March 9, 2015, the new clinic building opened to patients. The 5,544 SQ FT building provides space for outpatient nursing services along with clinic services. Since the clinic opening in 2016, the District has provided various Primary Care and Specialty Care services. During FY 2022 and FY 2023 clinic services included employing various Primary Care Providers including Doctors of Osteopathic Medicine, Family Nurse Practitioners, Podiatry, Licensed Clinical Social Worker (LCSW) and acupuncture. Management continues to look for opportunities to expand clinical and patient care services in the clinic and are active in recruitment efforts to add Primary Care capacity to serve our community.

Impact of COVID-19 – On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and general population. The pandemic did impact the District's revenue in the initial months because of restrictions in elective services by the State of Oregon. The District was able to restore and provide most services by June 30, 2020, with certain modifications to reduce the risk of the spread of the virus. Volumes and revenues continued to recover throughout FY 2022 and 2023.

In November 2021, the District received additional funds under the Provider Relief Fund (PRF) Phase 4 distribution, administered by HHS, under the CARES Act of $942,959. These PRF grants provided eligible providers financial support who experienced lost revenues and increased expenses during the COVID-19 pandemic to maintain national health system capacity and must be used by December 31, 2022. The District was required to report to the Health Resources & Services Administration its use of the funds no later than March 31, 2023. The District complied with the HRSA reporting requirements and has recorded $942,959 in non-operating revenues in the accompanying statement of revenues, expenses, and changes in net position in FY 2023.

2023 Financial Highlights

- The District's operating loss for FY 2023 was approximately $1.5M compared to approximately $1.2M operating loss in FY 2022.

- Net patient service revenue increased approximately $3.1M or 12.4% from FY 2022 to FY 2023.

- Operating expenses increased approximately $3.4M or 13.0% from FY 2022 to FY 2023.

- Net non-operating revenues increased approximately $1.6M or 143.7% from FY 2022 to FY 2023.

- The District's change in net position increased by approximately $1.2M or from a decrease of $0.1M in FY 2022 to an increase of $1.1M in FY 2023.

Using this annual report – The annual report contains three primary financial statements – a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes and supplementary information contained in this annual report provide information about the operations and activities of the District, including resources held by the District but restricted for specific purposes.

Overview of Financial Statements – 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?" These financial statements report information about the District's resources and its activities in a way that helps answer this question. These financial statements present all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position measures the District's financial position in terms of resources (assets) owned and obligations (liabilities) owed on a given date. This information reported on the Statement of Net Position reflects the District's assets in relation to its liabilities to bond and mortgage holders, suppliers, employees, and any other creditors. The excess of assets over liabilities is equity or net position.

The Statement of Revenues, Expenses, and Changes in Net Position (sometimes alternatively referred to as an Income Statement) shows how much our overall net position increased or decreased during the year as a result of our operations and for other reasons. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the District's patient base, changes in legislation and regulations, funding for public health programs, measures of the quantity and quality of services provided to its patients and local economic conditions, are also important in making this determination.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents for the District during the year. It reflects all the cash we received during the year from operations, contributions, and other sources; and how the District applied those funds (for example, payment of operating expenses, repayment of debt, purchases of new property and equipment). In addition, it reports the net change in cash position (increases or decreases to our cash reserves) that occurred during the year.

The District's Statement of Net Position – As noted earlier, net position as reported on the Statement of Net Position may serve over time as a useful indicator of financial position. The District's net position increased approximately $1.2M or from a decrease of $0.1M in FY 2022 to an increase of $1.1M in FY 2023. The following is a presentation of certain financial information derived from the District's Statement of Net Position:

	June 30,		
	2023	2022	2021
ASSETS			
Current assets	$ 16,280,315	$ 18,877,788	$ 16,191,032
Capital assets, net	6,677,892	4,867,249	5,317,463
Non-current assets	233,705	233,705	5,441,402
Total assets	$ 23,191,912	$ 23,978,742	$ 26,949,897
LIABILITIES			
Current liabilities	$ 4,326,176	$ 6,030,380	$ 4,682,418
Non-current liabilities	4,966,652	5,150,667	9,368,157
Total liabilities	9,292,828	11,181,047	14,050,575
NET POSITION			
Net investment in capital assets	2,783,123	610,282	626,324
Restricted – expendable for debt service	233,705	233,705	233,705
Unrestricted	10,882,256	11,953,708	12,039,293
Total net position	13,899,084	12,797,695	12,899,322
Total liabilities and net position	$ 23,191,912	$ 23,978,742	$ 26,949,897

The District's Statement of Revenues, Expenses, and Changes in Net Position – The following is a presentation of summary financial information derived from the District's Statement of Revenues, Expenses, and Changes in Net Position:

	Years Ended June 30,		
	2023	2022	2021
OPERATING REVENUES			
Net patient service revenue	$ 28,428,648	$ 25,294,832	$ 22,602,158
Other operating revenues	9,714	52,348	91,817
Total operating revenues	28,438,362	25,347,180	22,693,975
OPERATING EXPENSES			
Salaries and benefits	15,987,759	14,389,903	13,600,405
Medical supplies and drugs	748,202	893,511	794,222
Insurance	305,293	208,474	160,753
Other operating expenses	11,919,086	10,110,267	8,888,880
Depreciation and amortization	1,017,408	934,739	1,114,563
Total operating expenses	29,977,748	26,536,894	24,558,823
OPERATING LOSS	(1,539,386)	(1,189,714)	(1,864,848)
NON-OPERATING REVENUES	2,640,775	1,088,087	10,070,018
CHANGE IN NET POSITION	1,101,389	(101,627)	8,205,170
NET POSITION, beginning of year	12,797,695	12,899,322	4,694,152
NET POSITION, end of year	$ 13,899,084	$ 12,797,695	$ 12,899,322

Operating loss – The first component of the overall change in the District's net position is its operating loss, which is the difference between the sum of the net patient service and other operating revenues and the expenses incurred to perform those services. In FY 2023, the District is reporting an operating loss of approximately ($1,539,000). This operating loss was substantially impacted by increased costs associated with the COVID-19 pandemic and decreased revenue and volumes beginning in March 2020. The operating loss was an increase from prior year. The District has consistently incurred an operating loss each year as a result of operating as a tax-exempt, community owned and supported entity that is operated primarily to serve residents of Bandon and its surrounding area. The District services all patients, without regard to their ability to pay, including lower income and other vulnerable residents.

The District's change in net position for FY 2023 was an increase of $1,101,000, which represents an increase of approximately $1,203,000 from FY 2022. This increase was primarily due to the Phase 4 Provider Relief Fund Grant Revenues recognized in FY 2023. The District's change in net position for FY 2022 was a decrease of approximately ($102,000).

Non-operating revenues and expenses consist primarily of property tax, grants, gifts and investment income. In 2023, the recognition of $943,000 of Phase 4 Provider Relief Fund grant and various other COVID-19 related grant revenues resulted in a substantial increase in net non-operating income. Non-capital grants and donations and investment income increased by $286,000 in FY 2023 from FY 2022. Due to these significant changes, net non-operating revenues increased approximately $1.6 million or 143%.

The District's cash flows – The District's cash flows from operating activities was a decrease of approximately $3.1 million in FY 2023 and was due primarily to structural costs associated with critical access hospitals exceeding the net reimbursements from governmental and commercial payers as well as the escalating inflationary pressures of personnel, supplies and equipment, as well as certain working capital changes.

Cash flows from noncapital financing activities for FY 2023 were approximately $2.5M due to the receipt of approximately $1.1M in property taxes and $1.4M in grants and other donations.

Cash flows paid for capital and related financing activities for FY 2023 was a decrease of approximately $1.6M due to payments for the purchase capital assets, debt service payments on long-term debt and net changes in subscription based information technology arrangements (SBITA's) and lease obligations.

The net overall change in cash flow for the District was a decrease of approximately $1.8M in cash and cash equivalents for FY 2023.

Capital assets and debt administration

Capital assets – At June 30, 2023, the District had approximately $4.8M net investment in capital assets, net of accumulated depreciation, as detailed in Note 7 to the financial statements. In FY 2023, the District invested approximately $0.8M in buildings and equipment.

Debt administration – At June 30, 2023, the District had approximately $3.9M in notes payable, capital lease obligations and other debt obligations as detailed in Note 9 to the financial statements. During FY 2023, the District paid off approximately $242,000 in long-term debt.

Capital lease and SBITA assets and liabilities – At June 30, 2023, the District had approximately $1.8M in total leased and SBITA assets, net of accumulated amortization, as detailed in Note 8 to the financial statements. In FY 2023, the District had additions of approximately $1.6M of lease and SBITA assets. At June 30, 2023, the District had approximately $1.8M in lease and SBITA liabilities, as detailed in Note 10 to the financial statements. During FY 2023, the District paid off approximately $380,000 in lease and SBITA obligations.

Contacting the District's financial management – This financial report provides our patients, suppliers, taxpayers and creditors with a general overview of Southern Coos Health District's finances and shows the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office at Southern Coos Hospital and Health Center; 900 11th Street SE, Bandon, OR 97411.

Financial Statements

Southern Coos Health District
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,692,220	$ 9,420,203
Receivables		
Patient accounts, net of estimated uncollectible amounts and contractual adjustments	2,820,371	3,197,865
Property taxes	28,158	43,119
Estimated third-party payor settlement	-	442,000
Other	14,200	7,013
Supplies inventories	268,823	163,374
Assets limited as to use, current portion	2,089,184	5,124,982
Prepaid expenses	367,359	479,232
Total current assets	16,280,315	18,877,788
ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION	233,705	233,705
CAPITAL ASSETS		
Land	461,527	461,527
Construction in process	28,377	67,082
Depreciable capital assets, net of accumulated depreciation	4,351,270	4,220,995
Leased and SBITA assets, net of accumulated amortization	1,836,718	117,645
Total capital assets, net	6,677,892	4,867,249
Total assets	$ 23,191,912	$ 23,978,742

See accompanying notes.

Southern Coos Health District
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 860,325	$ 749,663
Accrued salaries and employee benefits	575,999	512,435
Accrued vacation	569,491	683,474
Accrued interest	100,328	102,295
Estimated third-party payor settlement	1,441,004	623,871
Current advance and refund liabilities	-	3,041,479
Current maturities of long-term debt	250,887	262,168
Current maturities of lease and SBITA liabilities	528,142	54,995
Total current liabilities	4,326,176	6,030,380
ADVANCE AND REFUND LIABILITIES, net of current	-	1,201,335
LONG-TERM DEBT, net of current maturities	3,643,882	3,884,560
LEASE LIABILITIES, net of current maturities	1,282,792	45,252
SBITA LIABILITIES, net of current maturities	39,978	19,520
Total liabilities	9,292,828	11,181,047
NET POSITION		
Net investment in capital assets	2,783,123	610,282
Restricted – expendable for debt service	233,705	233,705
Unrestricted	10,882,256	11,953,708
Total net position	13,899,084	12,797,695
Total liabilities and net position	$ 23,191,912	$ 23,978,742

See accompanying notes.

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

	2023	2022
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $123,229 and $139,220, respectively)	$ 28,428,648	$ 25,294,832
Other operating revenues	9,714	52,348
Total operating revenues	28,438,362	25,347,180
OPERATING EXPENSES		
Salaries and benefits	15,987,759	14,389,903
Medical supplies and drugs	748,202	893,511
Insurance	305,293	208,474
Other operating expenses	11,919,086	10,110,267
Depreciation and amortization	1,017,408	934,739
Total operating expenses	29,977,748	26,536,894
OPERATING LOSS	(1,539,386)	(1,189,714)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	1,060,279	1,018,165
Investment income	326,843	56,226
Interest expense	(278,398)	(211,461)
Noncapital grants and donations	432,289	145,844
Provider Relief Fund grant revenue	942,959	-
Loss on sale of assets	(18,374)	(7,083)
Other	175,177	86,396
Net non-operating revenue	2,640,775	1,088,087
CHANGE IN NET POSITION	1,101,389	(101,627)
NET POSITION, beginning of year	12,797,695	12,899,322
NET POSITION, end of year	$ 13,899,084	$ 12,797,695

See accompanying notes.

Southern Coos Health District
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	$ 25,822,461	$ 22,181,715
Cash paid to suppliers	(12,862,682)	(11,401,444)
Cash paid to employees	(16,038,178)	(14,248,428)
Other receipts from operations, net	28,087	52,348
Net cash from operating activities	(3,050,312)	(3,415,809)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property taxes	1,075,240	1,058,332
Proceeds from grants, donations and provider relief funds	1,375,248	145,844
Net cash from non-capital financing activities	2,450,488	1,204,176
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(761,593)	(298,178)
Payments on lease and SBITA liabilities	(353,686)	(55,350)
Principal payments on long-term debt	(251,959)	(555,101)
Interest payments on long-term debt	(280,365)	(212,442)
Net cash from capital and related financing activities	(1,647,603)	(1,121,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	326,843	55,686
Net cash provided from other assets	156,803	86,396
Net cash from investing activities	483,646	142,082
Net decrease in cash and cash equivalents	(1,763,781)	(3,190,622)
CASH AND CASH EQUIVALENTS, beginning of year	14,778,890	17,969,512
CASH AND CASH EQUIVALENTS, end of year	$ 13,015,109	$ 14,778,890
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	$ 10,692,220	$ 9,420,203
Assets whose use is limited	2,322,889	5,358,687
Total cash and cash equivalents	$ 13,015,109	$ 14,778,890

See accompanying notes.

Southern Coos Health District
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating income (loss) to net cash from operating activities		
Operating loss	$ (1,539,386)	$ (1,189,714)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation and amortization	1,017,407	934,739
Loss on disposal of fixed assets	18,374	-
Provision for bad debts	123,229	139,220
Changes in assets and liabilities:		
Patient accounts receivable	254,265	(949,264)
Other receivables	(7,187)	(11,839)
Supplies inventories	(105,449)	75,698
Prepaid expenses	111,873	(76,723)
Accounts payable	110,662	(176,328)
Accrued salaries and employee benefits	63,564	36,416
Accrued vacation	(113,983)	105,059
Advance and refund liabilities	(4,242,814)	(3,032,921)
Estimated third-party payor settlements	1,259,133	729,848
Net adjustments	(1,510,926)	(2,226,095)
Net cash from operating activities	$ (3,050,312)	$ (3,415,809)
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Lease and SBITA assets obtained in exchange for lease and SBITA liabilites	$ 2,084,831	$ 97,677

See accompanying notes.

Note 1 – Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity – The Southern Coos Health District (the District), a municipal corporation, was organized under Oregon Revised Statutes (ORS) 440.305 through 440.410 to provide various health care and health care-related services to the citizens of its district. The District operates Southern Coos Hospital and Health Center (the Hospital). The District serves a very large, predominantly rural, non-metropolitan geographic area in coastal Coos County, Oregon, inclusive of the cities of Bandon and Langlois and their surrounding areas. An elected five-member board governs the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by the GASB, there are no potential component units of the District, other than the Foundation.

Blended component units – These financial statements present the District and the following blended component units:

- The *Hospital Fund* – accounts for all general operating revenues and expenditures of the Hospital. The major sources of revenue are from charges for patient services and ad-valorem taxes, and the major source of expenses is for personal services.

- *Southern Coos Health Foundation* – The Southern Coos Health Foundation is a 501(c)(3) non-profit corporation. Due to the oversight the Hospital District has over the selection of Foundation Board Members, the Foundation will continue to be with the District in accordance with GASB No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB No. 61, *The Financial Reporting Entity: Omnibus*.

Budgetary information – ORS 440.403 establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. Budgetary comparisons for enterprise funds are not required by GAAP. Accordingly, such comparisons of approved budgeted amounts with actual results of operations for individual funds prepared on a basis other than GAAP are set forth as supplementary information, as listed in the table of contents. Expenditure levels of control are personal services, materials and services, capital outlay, debt service, and contingencies. After a public hearing on the budget, it is adopted and appropriations are made by June 30, which is prior to the start of the fiscal year. Expenditures cannot legally exceed appropriations and lapse at fiscal year-end. Action of the Board may transfer appropriations between control categories or amend the budget with notice.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by ORS. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the function group, but cannot make changes to the function groups themselves, which is the legal level of control.

Financial position, results of operations, and change in net position are reported on the basis of accounting principles generally accepted in the United States of America. The budgetary basis of accounting differs from generally accepted accounting principles. The budgetary basis statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison to actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America, with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, compensated absences are expensed when paid rather than when incurred and principal payment and proceeds on long-term debt are recorded in revenues when received and expenditures when paid.

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

Enterprise fund accounting – The District uses enterprise fund accounting. Revenues and expenses are recognized on an accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost, which approximates market value.

Patient accounts receivable, net – Patient accounts receivable are reported net of estimated uncollectible amounts and contractual adjustments. The District manages receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts, based on experience and other circumstances which may affect the ability of patients to meet their obligations. The District determines past due accounts based upon contract terms. Management does not believe there are any credit risks associated with receivables from governmental agencies. Private and other receivables consist of receivables from a large number of payors involved in diverse activities and subject to differing economic conditions, which do not represent any concentrated credit risks to the District.

Property taxes – The District received approximately 3.6% and 3.8% of its financial support from property taxes for the years ended June 30, 2023 and 2022, respectively. These funds were used to support general operations. Property taxes are levied by the County on the District's behalf on July 1, are payable on November 15, and may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by Coos County, and remittance to the District is made at periodic intervals. Property tax revenues are recognized when levied.

Supplies inventories – Supplies inventories, comprised primarily of medical and surgical inventories, are stated at lower of cost (first-in, first-out) or net realizable value.

Assets limited as to use – Periodically, the Board of Directors sets aside cash resources for the funding of future capital improvements and programs. As of June 30, 2023 and 2022 these cash resources were $116,401 and $110,711, respectively. The current and prior year includes funds from the Medicare advanced payments that were recouped as payments were made while the prior year also included the provider relief funds. In addition, certain funds are restricted by bond indentures to be used solely for debt service. As of June 30, 2023 and 2022, funds restricted by bond indentures were $233,705. Funds restricted by external sources are classified as non-current.

Capital assets – The District's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Expenditures for maintenance and repairs are charged to operations as incurred. Betterments and major renewals with an estimated useful life of three years or greater and a cost of over $5,000 are capitalized.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method which best reflects the diminished service utility of the capital asset.

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	8–25 years
Buildings	10–30 years
Equipment	3–20 years

Leases – The District has various leasing arrangements, which are primarily for certain medical equipment. The District determines if an arrangement is a lease at inception of the contract. For each lease, the District records a lease asset (representing the right to use the underlying asset for the lease term) and a lease liability (representing the obligation to make lease payments required under the terms of the lease). Lease assets and lease liabilities are recognized at the commencement date based on the present value of lease payments required over the lease term. The District uses its incremental borrowing rate – derived from information available at the lease commencement date – as the discount rate when determining the present value of lease payments.

Subscription-based information technology arrangements – Subscription-based information technology arrangement (SBITA) is a contract that conveys to the District control of the right to use another party's (i.e. a vendor's) IT software. The District has various SBITAs, which are primarily for accounting systems. The District determines if an arrangement is a SBITA at inception of the contract. For each SBITA, the District records a right-to-use subscription asset and a corresponding subscription liability. Subscription-based assets and liabilities are recognized at the commencement of the subscription term based on the present value of subscription payments expected to be made during the subscription term. The District uses its incremental borrowing rate – derived from information available at the SBITA commencement date – as the discount rate when determining the present value of subscription payments.

Accrued vacation – The District has a paid time off plan, which includes vested vacation and holiday time. These benefits are accrued and expensed as they are earned.

Advance and refund liabilities – Advance and refund liabilities represent Medicare advance payments and provider relief funds.

Deferred inflows of resources – A deferred inflow of resources represents the acquisition of net position that is applicable to a future reporting period. As of June 30, 2023, all of the District's deferred inflows of resources are related to the District's leased and SBITA assets (see Notes 8 and 10).

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

Operating revenues and expenses – The District's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Non-exchange revenues, including taxes, investment income, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net patient service revenue – Patient service revenue is recorded at established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Preliminary settlements under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care – The District provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care expenses approximated $195,000 and $180,000 for the years ended June 30, 2023 and 2022, respectively.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions 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 non-operating revenues.

Income taxes – The District is a municipal corporation under Oregon state law and is not subject to Federal income taxes.

Recent accounting pronouncements – GASB issued Statement No. 96, *Subscription-Based Information Technology Agreements* (SBITA). The objective of this statement is to record agreements that are subscription based and defines SBITA as "a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction." GASB Statement No. 96 determines when a subscription should be recognized as a right-to-use subscription, and also determines the corresponding liability, capitalization criteria, and required disclosures. This Statement is effective for the District in 2023. The provisions should be applied retroactively by restating the financial statements to all periods presented; however, that was not deemed necessary as the impact was not significant. The adoption had no impact on net position at June 30, 2022; however, total assets and liabilities were restated as a result and increased by approximately $20,000.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. There are several elements of the Statement that are effective at different dates. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for the [Company/District] for the year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District for the year ending June 30, 2024.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net position date but before financial statements are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements are available to be issued.

The District has evaluated subsequent events through October 31, 2023, which is the date the financial statements are available to be issued.

Note 2 – Advance and Refund Liabilities

Provider Relief Funds (PRF) – The United States Congress passed the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The CARES Act included provisions for health care under the Provider Relief Fund in 2020. During April and May 2020, the District received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (HHS) of $4,584,455. The District was required to and did timely sign attestations agreeing to the terms and conditions of payment. District recognized and recorded grant revenue of $4,308,836 and reduced the corresponding portion of advance and refund liabilities for fiscal year June 30, 2021. The District recognized the remaining amount of $942,959 in grant revenue for the fiscal year ending June 30, 2023.

Medicare advance payments – The CARES Act amended the existing CMS Accelerated Payments Program to provide additional benefits and flexibilities, including extended repayment timeframes, to the subset of providers specifically referenced in the CARES Act, including inpatient hospitals, children's hospitals, certain cancer hospitals, and critical access hospitals. During April 2020, the District received funds under the Accelerated Payments Program, administered by Noridian Medicare, of $7,352,042. Repayment was delayed until one year after payment was issued. After the first year, Medicare will automatically recoup 25% of Medicare payments owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment will increase to 50% for another six months. If the provider or supplier is unable to repay the total amount of the Accelerated and Advance Payment during this time period (a total of 29 months), CMS will issue letters requiring repayment of any outstanding balance, subject to an interest rate of four percent. For the year ended June 30, 2022, the District has recorded $3,041,479 as advance refund liability. The liability was paid in full during the fiscal year ending June 30, 2023.

Note 3 – Net Patient Service Revenue

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

Medicare – The District converted to a critical access hospital (CAH) for Medicare program purposes in 2000. Among other rules, as a CAH, the Hospital may operate no more than 25 beds. In addition, the annual average length of stay for all acute inpatients cannot exceed 96 hours per stay. As a CAH, the Hospital is reimbursed for Medicare inpatient and outpatient services at the cost of providing the service plus 1% rather than on a fee schedule or the inpatient Diagnose Related Group (DRG) and outpatient Ambulatory Payment Classification (APC) prospective payment system.

Medicare swing-bed services are also reimbursed at cost for a CAH. The Hospital is paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

The District's Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2019.

Net revenue billed under the Medicare program totaled approximately $18,200,000 and $15,500,000 for the years ended June 30, 2023 and 2022, respectively.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under 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. The District's Medicaid cost reports have been audited by the Oregon Health Authority through June 30, 2020. Net revenue billed under the Medicaid program totaled approximately $4,700,000 and $4,500,000 for the years ended June 30, 2023 and 2022, respectively.

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

Note 4 – Cash and Cash Equivalents

Oregon Revised Statutes, Chapter 294, authorizes the District to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool, and various interest-bearing bonds of Oregon and other municipalities. The District has no investment policy that would further limit its investment choices.

The District had the following cash and cash equivalents at June 30:

	2023	2022
Demand deposits	$ 1,631,580	$ 7,966,704
Petty cash	955	860
Local Government Investment Pool	11,382,574	6,811,326
Total cash and cash equivalents	$ 13,015,109	$ 14,778,890

Cash and cash equivalents are classified as follows at June 30:

	2023	2022
Cash and cash equivalents	$ 10,692,220	$ 9,420,203
Assets limited as to use	2,322,889	5,358,687
	$ 13,015,109	$ 14,778,890

The District maintains their 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. LGIP investments with remaining maturities of fewer than ninety days are carried at amortized cost, provided that the fair value of these instruments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. 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. The District considers all investments to be cash and cash equivalents.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Custodial credit risk

Deposits – Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, of the District's bank balance, approximately $250,000 was fully covered by depository insurance and approximately $138,000 exposed to custodial credit risk. As of June 30, 2022, of the District's bank balance, approximately $494,000 was fully covered by depository insurance and approximately $7,472,000 exposed to custodial credit risk.

Note 5 – Patient Accounts Receivable

The District provides services to patients, most of whom are local residents who are either uninsured, covered by commercial insurance, Medicare, or Oregon Department of Human Resources Adult and Family Services Division (Welfare) programs. The District grants credit without collateral and maintains reserves for potential credit losses. Such losses have historically been within management's expectations. Receivables, including the applicable allowance for estimated contractual adjustments and uncollectible accounts, are as follows:

	2023	2022
Receivables from patients and their insurance carriers	$ 1,825,447	$ 1,572,161
Receivable from Medicare	2,970,735	3,195,173
Receivable from Medicaid	838,621	1,223,656
Total patient accounts receivable	5,634,803	5,990,990
Less allowance for uncollectible amounts	(2,814,432)	(2,793,125)
Patient accounts receivable, net	$ 2,820,371	$ 3,197,865

Note 6 – Property Taxes Receivable

For the fiscal year ended June 30, 2023, the District levied their property taxes at the rate of $0.8892 per $1,000 of assessed property value. This levy was expected to raise $1,083,112 in property tax revenues, including $4,207 in additional taxes and penalties. The actual levy imposed for 2022–2023 was $1,083,000. Property tax revenues are recognized when levied and are used to support general operations.

	Receivable June 30, 2022	2022-2023 Net Levy	Collections	Interest Received	Discounts Allowed	Adjustments Applied	Receivable June 30, 2023
2022-2023	$ -	$ 1,083,112	$ (1,030,067)	$ 523	$ (41,143)	$ (1,487)	$ 10,938
2021-22	13,712	-	(15,929)	1,071	(1)	(175)	(1,322)
2020-21	15,558	-	(6,107)	1,089	1	(161)	10,380
2019-20	8,537	-	(5,070)	1,472	1	(147)	4,793
2018-19	3,255	-	(2,344)	899	1	(113)	1,698
2017-18	955	-	(426)	309	-	(88)	750
Prior Years	1,102	-	(336)	285	-	(130)	921
	$ 43,119	$ 1,083,112	$ (1,060,279)	$ 5,648	$ (41,141)	$ (2,301)	$ 28,158

For the fiscal year ended June 30, 2022, the District levied their property taxes at the rate of $.8464 per $1,000 of assessed property value. This levy was expected to raise $1,055,853 in property tax revenues, including $7,708 in additional taxes and penalties. The actual levy imposed for 2021–2022 was $1,055,000. Property tax revenues are recognized when levied, and are used to support general operations.

	Receivable June 30, 2021	2021-2022 Net Levy	Collections	Interest Received	Discounts Allowed	Adjustments Applied	Receivable June 30, 2022
2021-22	$ -	$ 1,055,853	$ (1,014,715)	$ 637	$ (27,369)	$ (694)	$ 13,712
2020-21	35,905	-	(21,001)	1,442	1	(789)	15,558
2019-20	18,962	-	(11,823)	1,485	-	(87)	8,537
2018-19	12,377	-	(11,423)	2,384	-	(83)	3,255
2017-18	7,132	-	(7,873)	1,735	-	(39)	955
2016-17	4,064	-	(4,514)	1,294	-	(25)	819
Prior Years	4,846	-	(6,566)	2,025	-	(22)	283
	$ 83,286	$ 1,055,853	$ (1,077,915)	$ 11,002	$ (27,368)	$ (1,739)	$ 43,119

Note 7 – Capital Assets

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
CAPITAL ASSETS AT COST					
Land	$ 461,527	$ -	$ -	$ -	$ 461,527
Construction in progress	67,082	28,377	-	(67,082)	28,377
Total non-depreciable	528,609	28,377	-	(67,082)	489,904
Land improvements	1,430,940	68,577	-	-	1,499,517
Buildings	6,539,518	-	-	-	6,539,518
Major movable equipment	8,395,425	731,725	(18,374)	-	9,108,776
Total depreciable	16,365,883	800,302	(18,374)	-	17,147,811
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION FOR:					
Land improvements	(1,056,593)	(55,690)	-	-	(1,112,283)
Buildings	(4,464,924)	(291,559)	-	-	(4,756,483)
Major movable equipment	(6,623,371)	(304,404)	-	-	(6,927,775)
Total accumulated depreciation	(12,144,888)	(651,653)	-	-	(12,796,541)
Total capital assets, net	$ 4,749,604	$ 177,026	$ (18,374)	$ (67,082)	$ 4,841,174

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
CAPITAL ASSETS AT COST					
Land	$ 461,527	$ -	$ -	$ -	$ 461,527
Construction in progress	31,125	67,082	-	(31,125)	67,082
Total non-depreciable	492,652	67,082	-	-	528,609
Land improvements	1,422,440	8,500	-	-	1,430,940
Buildings	6,512,718	76,800	(50,000)	-	6,539,518
Major movable equipment	8,219,166	274,220	(129,086)	31,125	8,395,425
Total depreciable	16,154,324	359,520	(179,086)	-	16,365,883
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION FOR:					
Land improvements	(1,006,216)	(50,377)	-	-	(1,056,593)
Buildings	(4,255,445)	(259,479)	50,000	-	(4,464,924)
Major movable equipment	(6,390,293)	(331,040)	97,962	-	(6,623,371)
Total accumulated depreciation	(11,651,954)	(640,896)	147,962	-	(12,144,888)
Total capital assets, net	$ 4,995,022	$ (214,294)	$ -	$ -	$ 4,749,604

Depreciation expense for the years ended June 30, 2023 and 2022 was $651,649 and $641,813, respectively.

Note 8 – Leases and SBITAs

A summary of lease and SBITA activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Balance June 30, 2023
Major movable equipment	$ 839,604	$ 1,933,806	$ 2,773,410
Less accumulated amortization	(741,946)	(321,321)	(1,063,267)
Total leased assets, net	97,658	1,612,485	1,710,143
SBITA assets	29,515	166,756	196,271
Less accumulated amortization	(9,528)	(60,168)	(69,696)
Total SBITA assets	19,987	106,588	126,575
Total leased and SBITA assets, net	$ 117,645	$ 1,719,073	$ 1,836,718

A summary of lease and SBITA activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Balance June 30, 2022
Major movable equipment	$ 771,442	$ 68,162	$ 839,604
Less accumulated amortization	(449,020)	(292,926)	(741,946)
Total leased assets, net	322,422	(224,764)	97,658
SBITA assets	-	29,515	29,515
Less accumulated amortization	-	(9,528)	(9,528)
Total SBITA assets	-	19,987	19,987
Total leased and SBITA assets, net	$ 322,422	$ (204,777)	$ 117,645

Amortization expense for the years ended June 30, 2023 and 2022 was $365,758 and $292,926, respectively.

Note 9 – Long-Term Debt

A schedule of changes in the District's liabilities for 2023 and 2022 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Long-term debt					
Revenue bonds	$ 2,941,733	$ -	$ (96,964)	$ 2,844,769	$ 105,887
Certificates of participation-2014A	575,000	-	(75,000)	500,000	75,000
Certificates of participation-2015A	620,000	-	(70,000)	550,000	70,000
Total liabilities	$ 4,136,733	$ -	$ (241,964)	$ 3,894,769	$ 250,887

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt					
Revenue bonds	$ 3,038,697	$ -	$ (96,964)	$ 2,941,733	$ 117,168
Certificates of participation-2014A	645,000	-	(70,000)	575,000	75,000
Certificates of participation-2015A	685,000	-	(65,000)	620,000	70,000
Total liabilities	$ 4,368,697	$ -	$ (231,964)	$ 4,136,733	$ 262,168

The revenue bonds are issued through United States Department of Agriculture, Rural Development, and will be retired in October 2041 by annual payments, including interest at 4.5% per annum. The District is required to reserve $23,370 annually if it has operating revenues. The reserve is completed when the District accumulates $233,705, which will be used to fund the final bond payment. The District has reserved $233,705 as of June 30, 2023 and 2022.

The certificates of participation series 2014A will be retired in July 2029 by minimum variable annual principal payments starting at $60,000 and increasing to $90,000 by 2029, together with semi-annual interest payments at an interest rate ranging from 1.3% to 4.0% per annum. Payments began July 1, 2016.

The certificates of participation series 2015A will be retired in July 2030 by minimum variable annual principal payments starting at $60,000 and increasing to $90,000 by 2030, together with semi-annual interest payments at an interest rate ranging from 1.0% to 4.2% per annum. Payments began January 1, 2017.

All of the above debt is collateralized by unobligated net revenues and real property of the District.

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

Year	Revenue Bonds		Certificate of Participation		Certificate of Participation		Total Long-term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 105,887	$ 127,818	$ 75,000	$ 17,753	$ 70,000	$ 19,968	$ 250,887	$ 165,538
2025	115,016	123,053	80,000	15,000	70,000	17,518	265,016	155,571
2026	115,632	118,074	80,000	12,080	75,000	14,888	270,632	145,042
2027	120,835	112,871	85,000	8,900	80,000	11,960	285,835	133,731
2028	126,273	107,433	90,000	5,400	80,000	8,820	296,273	121,653
2029-2033	721,887	446,642	90,000	1,800	175,000	7,346	986,887	455,788
2034-2038	899,601	268,925	-	-	-	-	899,601	268,925
2039-2043	639,638	58,272	-	-	-	-	639,638	58,272
2043-2047	-	-	-	-	-	-	-	-
	$ 2,844,769	$ 1,363,088	$ 500,000	$ 60,933	$ 550,000	$ 80,499	$ 3,894,769	$ 1,504,519

Note 10 – Lease and SBITA Liabilities

A schedule of changes in the District's lease and SBITA liabilities for 2023 and 2022 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Lease liabilities	$ 100,247	$ 1,937,160	$ (273,712)	$ 1,763,695	$ 480,903
SBITA liabilities	19,520	168,413	(100,716)	87,217	47,239
Total	$ 119,767	$ 2,105,573	$ (374,428)	$ 1,850,912	$ 528,142

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Lease liabilities	$ 333,034	$ 68,162	$ (300,949)	$ 100,247	$ 45,000
SBITA liabilities	-	29,515	(9,995)	19,520	9,995
Total	$ 333,034	$ 97,677	$ (310,944)	$ 119,767	$ 54,995

As of June 30, 2023, future scheduled principal and interest payments for leases and SBITAs were as follows:

Year	Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest
2024	$ 480,903	$ 116,099	$ 47,239	$ 5,399
2025	404,730	92,105	39,978	1,674
2026	401,015	58,312	-	-
2027	380,425	26,308	-	-
2028	96,622	5,658	-	-
2029-2033	-	-	-	-
2034-2038	-	-	-	-
2039-2043	-	-	-	-
2043-2047	-	-	-	-
	$ 1,763,695	$ 298,482	$ 87,217	$ 7,073

Note 11 – Retirement and Deferred Compensation Plans

The District maintains a tax-sheltered annuity plan (the 403(b) Plan) under Section 403(b) and the related paragraphs of the Internal Revenue Code that covers all employees. Under the 403(b) Plan, employees are generally immediately eligible to participate and can contribute the maximum allowable under current IRS regulations. For the years ended June 30, 2023 and 2022, the employee contributions to the 403(b) Plan were $480,322 and $509,670, respectively. Employer contributions are not permitted under this plan.

The District has a contract with The Variable Annuity Life Insurance Company (VALIC) to establish a qualified tax deferred annuity retirement plan (the 401(a) Plan) under Section 401(a) and related paragraphs of the Internal Revenue Code. Under the 401(a) Plan, employees are generally eligible to participate upon completion of one year of service and reaching 18 years of age. The District makes discretionary matching contributions based upon employee contributions to the 403(b) Plan with a maximum match of 6% of the employee's eligible compensation. Employees must meet minimum service hours to be eligible for the match. The District's contributions vest according to a three-year cliff after which they are fully vested. For the years ended June 30, 2023 and 2022, the District contributions to the 401(a) Plan were $367,437 and $316,349, respectively. Employee contributions are not permitted under this plan.

The District also maintains a deferred compensation plan under Section 457(b) of the Internal Revenue Code (the 457(b) Plan). Under the 457(b) Plan, all employees are eligible to participate, and the plan allows for Roth contributions subject to IRS limits. For the years ended June 30, 2023 and 2022, the employee contributions to the 457(b) Plan were $25,359 and $24,054, respectively. Employer contributions are not permitted under this plan.

The Board of Directors is solely responsible for changes and modifications to any of the plans.

Note 12 – Contingent Liabilities

The District renders service to patients under contractual arrangements with Medicare and Medicaid programs. The programs' administrative procedures preclude final determination of amounts due to/from the District for services to program patients until after the District's cost reports are audited or otherwise reviewed and settled upon with the respective administrative agencies. Preliminary calculations of revenue adjustments relative to third-party contractual agreements are included in the accompanying financial statements.

Compliance with laws and regulations – The District is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. The District has implemented a voluntary corporate compliance program, which includes guidance for all District employees' adherence to applicable laws and regulations. Management believes any actions that may result from investigations of non-compliance with laws and regulations will not have a material effect on the District's future financial position or results of operations.

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

General and professional liability – Southern Coos Health District maintains primary and umbrella general and professional liability insurance coverage through "claims made" type policies. Current coverage is for $2,000,000 per claim with a $6,000,000 annual aggregate limit. The coverage has no deductible. Should the "claims made" policies not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination may be uninsured. The hospital records estimated liabilities for reported claims as well as an estimated tail liability for claims that have been incurred but not reported. These amounts were not significant to the financial statements for the years ended June 30, 2023 and 2022.

GAAP requires that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is not aware of any potential liabilities that would exceed its coverage at June 30, 2023 and 2022.

COVID-19 - The District's management continues to closely monitor the impact of COVID-19 on the District's operations, including the impact on its patients and employees. The duration and intensity of COVID-19 is uncertain but may influence patient decisions, donor decisions, and may impact future collections of the District's receivables.

Supplementary Information

Southern Coos Health District
Schedule of Adopted Appropriations and Expenditures
Original and Final Budget and Actual
June 30, 2023

	Year Ended June 30, 2023				
	Actual	Budgetary Adjustment	Budgetary Basis	Original/Final Budget	Variance
Revenues					
Total revenues except property taxes	$ 29,372,671	$ -	$ 29,372,671	$ 32,026,688	$ (2,654,017)
Property tax revenue	1,060,279	-	1,060,279	1,097,266	(36,987)
Total revenues	30,432,950	-	30,432,950	33,123,954	(2,691,004)
Expenditures					
Personal services	15,987,759	-	15,987,759	21,150,600	(5,162,841)
Materials and services	12,972,581	-	12,972,581	9,348,679	3,623,902
Capital outlay	1,017,408	(255,815)	761,593	750,000	11,593
Debt service	278,398	241,964	520,362	945,071	(424,709)
Total expenditures	30,256,146	(13,851)	30,242,295	32,194,350	(1,952,055)
(Deficit) Excess of revenues over expenditures	176,804	13,851	190,655	929,604	(738,949)
Other financing sources (uses)	924,585	-	924,585	-	924,585
Total other financing sources (uses)	924,585	-	924,585	-	924,585
(Deficit) Excess of revenues over expenditures and other financing sources (uses)	$ 1,101,389	$ 13,851	1,115,240	929,604	185,636
NET POSITION, beginning of year			12,187,413	455,087	11,732,326
NET POSITION, end of year			$ 13,302,653	$ 1,384,691	$ 11,917,962

Southern Coos Health District
Combining Statement of Net Position
June 30, 2023

	Southern Coos Health District	Southern Coos Health Foundation	Eliminating Entries	Combined Total
CURRENT ASSETS				
Cash and cash equivalents	$ 10,513,717	$ 178,503	$ -	$ 10,692,220
Receivables				
Patient accounts, net of estimated uncollectible amounts and contractual adjustments	2,820,371	-	-	2,820,371
Property taxes	28,158	-	-	28,158
Estimated third-party payor receivable	-	-	-	-
Other	14,200	-	-	14,200
Supplies inventories	262,233	6,590	-	268,823
Assets limited as to use, current portion	2,024,321	64,863	-	2,089,184
Prepaid expenses	367,359	-	-	367,359
Total current assets	16,030,359	249,956	-	16,280,315
ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION	233,705	-	-	233,705
CAPITAL ASSETS				
Land	461,527	-	-	461,527
Construction in process	28,377	-		28,377
Depreciable capital assets, net of accumulated depreciation	4,351,270	-	-	4,351,270
Leased and SBITA assets, net of accumulated amortizatior	1,836,718	-		1,836,718
Total capital assets, net	6,677,892	-	-	6,677,892
Total assets	$ 22,941,956	$ 249,956	$ -	$ 23,191,912
CURRENT LIABILITIES				
Accounts payable	$ 842,312	$ 18,013	$ -	$ 860,325
Accrued salaries and employee benefits	575,999	-	-	575,999
Accrued vacation	569,491	-	-	569,491
Accrued interest	100,328	-	-	100,328
Estimated third-party payor settlement	1,441,004	-	-	1,441,004
Current maturities of long-term debt	250,887	-	-	250,887
Current maturities of lease and SBITA liabilities	528,142	-	-	528,142
Total current liabilities	4,308,163	18,013	-	4,326,176
ADVANCE AND REFUND LIABILITIES, net of current	-	-	-	-
LONG-TERM DEBT, net of current maturities	3,643,882	-	-	3,643,882
LEASE LIABILITIES, net of current maturities	1,282,792			1,282,792
SBITA LIABILITIES, net of current maturities	39,978	-	-	39,978
Total liabilities	9,274,815	18,013	-	9,292,828
NET POSITION				
Net investment in capital assets	2,783,123	-	-	2,783,123
Restricted – expendable for debt service	233,705	-	-	233,705
Unrestricted	10,650,313	231,943	-	10,882,256
Total net position	13,667,141	231,943	-	13,899,084
Total liabilities and net position	$ 22,941,956	$ 249,956	$ -	$ 23,191,912

Southern Coos Health District
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

	Southern Coos Health District	Southern Coos Health Foundation	Eliminating Entries	Combined Total
OPERATING REVENUES				
Net patient service revenue (net of provision for bad debts of $35,690)	$ 28,428,648	$ -	$ -	$ 28,428,648
Other operating revenues	9,714	-	-	9,714
Total operating revenues	28,438,362	-	-	28,438,362
OPERATING EXPENSES				
Salaries and benefits	15,987,759	-	-	15,987,759
Medical supplies and drugs	748,202	-	-	748,202
Insurance	305,293	-	-	305,293
Other operating expenses	11,686,520	232,566	-	11,919,086
Depreciation and amortization	1,017,408	-	-	1,017,408
Total operating expenses	29,745,182	232,566	-	29,977,748
OPERATING LOSS	(1,306,820)	(232,566)	-	(1,539,386)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	1,060,279	-	-	1,060,279
Investment income	321,805	5,038	-	326,843
Interest expense	(278,398)	-	-	(278,398)
Noncapital grants and donations	263,799	168,490	-	432,289
Forgiveness of PPP Loan	-	-	-	-
Provider Relief Fund Grant Revenue	942,959	-	-	942,959
(Loss) on sale of assets	(18,374)	-		(18,374)
Other	151,302	23,875	-	175,177
Net non-operating revenue	2,443,372	197,403	-	2,640,775
CHANGE IN NET POSITION	1,136,552	(35,163)	-	1,101,389
NET POSITION, beginning of year	12,530,589	267,106	-	12,797,695
NET POSITION, end of year	$ 13,667,141	$ 231,943	$ -	$ 13,899,084

Report of Independent Auditors Required by Oregon State Regulations

The Board of Directors
Southern Coos Health District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Southern Coos Health District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Southern Coos Health District's basic financial statements, and have issued our report thereon dated October 31, 2023.

Compliance

As part of obtaining reasonable assurance about whether the Southern Coos Health District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 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 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.

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 Southern Coos Health District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

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

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

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

This report is intended solely for the information and use of the Board of Directors and management of Southern Coos Health District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Tony Andrade, Partner for Moss Adams LLP
Portland, Oregon
October 31, 2023

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Report of Independent Auditors 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*

The Board of Directors
Southern Coos Health District

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 Southern Coos Health District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Southern Coos Health District's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Portland, Oregon
October 31, 2023

Reports of Independent Auditors
and Financial Statements
with Supplementary Information

Southern Coos Health District

June 30, 2024 and 2023

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DISTRICT OFFICIALS

As of Report Issuance Date

BOARD OF DIRECTORS

Thomas Bedell, Chairman

Pamela Hansen, Treasurer

Mary Schamehorn, Secretary

Norbert Johnson, Director

Robert Pickel, Jr, Director

REGISTERED AGENT

Raymond T. Hino, CEO

REGISTERED OFFICE

Southern Coos Hospital and Health Center

900 11th Street SE

Bandon, Oregon 97411

LEGAL COUNSEL

Robert S. Miller, III

1010 1st Street S.E.

Bandon, Oregon 97411

541-347-6075

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Report of Independent Auditors

The Board of Directors
Southern Coos Health District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern Coos Health District (the District), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Southern Coos Health District as of June 30, 2024 and 2023, and the changes in financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Southern Coos Health District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Southern Coos Health District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 Southern Coos Health District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Coos Health District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The schedule of adopted appropriations and expenditures, original and final budget and actual as required by Oregon State Regulations, the combining statement of net position, and the combining statement of revenues, expenses, and changes in net position 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 schedule of adopted appropriations and expenditures, original and final budget and actual, the combining statement of net position, and the combining statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 19, 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 solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Tony Andrade, Partner for, Moss Adams LLP
Portland, Oregon
November 19, 2024

Management's Discussion and Analysis

Southern Coos Health District
Management's Discussion and Analysis

Southern Coos Hospital & Health Center presents this Management's Discussion and Analysis to offer context and insight into the factors influencing the organization's financial position for the fiscal years ended June 30, 2024, 2023, and 2022. This overview reflects management's perspective and is intended to complement the financial statements and enhance the reader's understanding of key issues and elements affecting the hospital's financial performance

About the district – Southern Coos Health District (the District) is a non-profit municipal corporation doing business as Southern Coos Hospital & Health Center (SCHHC). SCHHC operates a hospital, a primary care clinic and a multi-specialty clinic. Located in Bandon, Oregon, the District serves a population of approximately 10,000 residents across southern Coos County and northern Curry County. The Federal Government has designated Coos County as a Medically Underserved Area (MUA). As of 2024, the reported population of Bandon was 3,304.

History and governance – Established in 1955, the District is governed by a five-member publicly-elected Board of Directors, with daily operations managed by the Chief Executive Officer. The District employed 186 staff members as of June 30, 2024, up from 176 the previous year. Annual expense for salary and benefits totals approximately $18.0 million. Southern Coos Hospital & Health Center is the second-largest employer in Bandon, providing both highly skilled professional jobs and entry-level positions. The hospital not only supports local employment but also contributes to the community's appeal for relocation and retirement.

Critical Access Hospital designation – In November 2000, SCHHC received designation as a Critical Access Hospital (CAH). This designation allows the hospital to receive Medicare reimbursement based on costs, providing a higher level of reimbursement than standard rates.

Services and facilities – The District's hospital is licensed for 21 acute care beds and provides a range of services, including:

- Emergency Services – 24-hour Emergency Room
- Inpatient Care – Acute inpatient beds, Swing beds, and Observation Services
- Outpatient Services
    - Laboratory
    - Diagnostic Imaging (MRI, CT, X-rays, Mammography, Ultrasound, Echocardiograms)
    - Surgical Services
    - Respiratory Care
    - Multi-Specialty Clinic (including Pain Management and Wound Care)
    - Primary Care Clinic (including Osteopathic Medicine and Licensed Clinical Social Work)

Financial overview – The District serves a significant number of Medicare and Medicaid patients, as well as patients who are unable to pay for services (managed through charity care and bad debt). The community supports the hospital through a property tax rate of $0.8892 per $1,000 of assessed valuation, which helps fund the facility. However, this tax revenue, combined with fundraising by the Southern Coos Health Foundation (a separate 501(c)(3) entity that supports the hospital), covers less than 4% of the hospital and clinic operating expenses. The remaining 96% of funding comes from amounts collected for billed hospital and clinic services.

Issues facing the Southern Coos Health District – Bandon's economy, like many coastal communities in Oregon, relies heavily on tourism, government and institutional functions, and the fishing and timber industries. Many residents are self-employed, work for small businesses, or are retired, which results in a lower prevalence of employer-sponsored health insurance. Most commercial business within the district comes from hospital employees, the City of Bandon, the Bandon School District, and the Bandon Dunes Golf Resort. With a growing older population and fewer employer-based health plans, maintaining a positive financial outcome from operations remains a challenge. As of 2024, the payer mix included 62.4% Medicare, 17.4% Medicaid, 18.8% commercial and other payors, and 1.4% self-pay. This is relatively stable compared to 2023, where the breakdown was 62.5% Medicare, 17.8% Medicaid, 18.8% commercial and other payors, and 0.9% self-pay.

The District is one of 25 Critical Access Hospitals in Oregon and faces several challenges typical for such facilities, including rising healthcare costs, decreased reimbursements, and difficulties in recruiting and retaining qualified medical personnel. In 2023 and 2024, several key positions, including the CFO (February 2024), and other clinical and administrative leadership roles, were either vacant or transitioning. To address these issues, SCHHC has committed to ongoing recruitment efforts, improving corporate culture, and enhancing internal and external communication.

In May and June 2022, the District approved a three-year strategic plan focusing on key strategies in areas such as people, service, quality, growth, finance, and regulatory compliance. After completing over 90% of the 2022 plan, SCHHC management and the District Board of Directors developed new strategic initiatives, and the 2022-2025 Strategic Plan was renewed in May 2024. This living plan emphasizes transparency, collaboration, and accountability while establishing timelines for improvement projects.

Additional Challenges –

- **Skilled Labor Shortages:** High demand for clinical and non-clinical roles, such as nursing and medical technologists, has led to extensive reliance on costly interim and agency labor.

- **Rising Technology Costs:** The District is currently implementing replacements for its Electronic Health Records (EHR) and Enterprise Resource Planning (ERP) systems – a costly, high-stakes, and resource-consuming endeavor.

- **Facility Improvements:** The District started a major remodel of the Sterile Processing Department to meet regulations and support the surgical services line with state-of-the-art equipment.

- **DNV Accreditation:** Following the completion of its first DNV Accreditation survey in FY 2023, the District will undergo additional annual surveys to ensure compliance and enhance patient safety and quality care.

- **Revenue and Documentation Improvements:** Efforts are underway to enhance patient registration and clinical documentation processes to improve billing and collections in preparation for the Electronic Health Records implementation.

- **State Medicaid Funding Limitations:** Growth in Medicaid funding through Coordinated Care Organizations has been capped, impacting reimbursements for providers.

- **Regulatory Demands:** Increasing clinical quality and regulatory reporting requirements have led the District to enhance its organizational structure and staffing for Risk, Quality, and Compliance functions.

- **Local Housing Shortages:** The service area, including Bandon, faces significant shortages of affordable housing, complicating efforts to attract new residents.

Primary Care Clinic Development – Since the opening of a new outpatient clinic on March 9, 2015, the district has provided various primary and specialty care services. During Fiscal Years 2023 and 2024, clinic services included employing various Primary Care Providers including Doctors of Osteopathic Medicine, Family Nurse Practitioners, Surgeons, a Licensed Clinical Social Worker (LCSW), and offering same-day appointments, as well as a Pain Management Clinic. Management continues to seek expansion opportunities based on community needs as identified with public input in the triannual Community Health Needs Assessment, as well as internal strategic assessments, particularly those focusing on increased primary care capacity.

2024 Financial Highlights

- **Operating Loss**: FY 2024 saw an operating loss of approximately $1.6M, a 2% increase from the approximately $1.5M operating loss in FY 2023.

- **Net Patient Service Revenue**: Increased approximately $2.9M (10.0%) from FY 2023 to FY 2024.

- **Operating Expenses:** Increased approximately $3.2M (11.0%) from FY 2023 to FY 2024.

- **Net Non-Operating Revenues & Expenses:** Declined approximately $0.9M compared to FY 2023.

- **Change in Net Position:** Decreased by approximately $0.9M from $1.1M in FY 2023 to $169,091 in FY 2024.

Using this annual report – The annual report includes three main financial statements: the Statement of Net Position, the **Statement of Revenues, Expenses, and Changes in Net Position**, and the **Statement of Cash Flows**. Along with related notes and supplementary information, these documents provide insights into the District's operations and financial activities, including resources restricted for specific purposes.

Overview of Financial Statements – One key question regarding the District's finances is whether the organization is financially better or worse off as a result of the year's activities. These financial statements offer information to help answer that question, presenting the District's assets and liabilities using the accrual basis of accounting, which is similar to methods used by private-sector companies. This approach accounts for all revenues and expenses in the current year, regardless of when cash transactions occur.

- Statement of Net Position: This statement provides a snapshot of the District's financial status, showing its resources (assets) and obligations (liabilities) at a specific point in time. It reflects the District's equity, or net position, which is the difference between total assets and total liabilities owed to creditors such as bondholders, suppliers, and employees.

- Statement of Revenues, Expenses, and Changes in Net Position: Sometimes referred to as an Income Statement, this report indicates how the District's net position has changed over the year due to operational results and other factors. It serves as a key indicator of whether the District's financial situation is improving or deteriorating, alongside factors like changes in the patient population, regulatory adjustments, funding variations, and local economic conditions.

- Statement of Cash Flows: This statement outlines the District's cash receipts, payments, and changes in cash and cash equivalents over the year. It shows cash inflows from operations, contributions, and other sources, as well as how those funds were utilized (e.g., covering operating costs, debt payments, or capital purchases). Additionally, it reports the net change in cash reserves during the period.

The District's Statement of Net Position – As mentioned, the net position reported on the Statement of Net Position can be a useful measure of the District's financial health over time. The following section presents key financial information derived from the District's Statement of Net Position.

	June 30,		
	2024	2023	2022
ASSETS			
Current assets	$ 12,947,901	$ 16,280,315	$ 18,877,788
Capital assets, net	6,423,951	6,677,892	4,867,249
Non-current assets	3,744,080	233,705	233,705
Total assets	$ 23,115,932	$ 23,191,912	$ 23,978,742
LIABILITIES			
Current liabilities	$ 4,773,278	$ 4,326,176	$ 6,030,380
Non-current liabilities	4,274,479	4,966,652	5,150,667
Total liabilities	9,047,757	9,292,828	11,181,047
NET POSITION			
Net investment in capital assets	1,376,449	2,783,123	610,282
Restricted – expendable for debt service	233,705	233,705	233,705
Unrestricted	12,458,021	10,882,256	11,953,708
Total net position	14,068,175	13,899,084	12,797,695
Total liabilities and net position	$ 23,115,932	$ 23,191,912	$ 23,978,742

The District's Statement of Revenues, Expenses, and Changes in Net Position – Below is a summary of key financial information drawn from the District's Statement of Revenues, Expenses, and Changes in Net Position.

	Years Ended June 30,		
	2024	2023	2022
OPERATING REVENUES			
Net patient service revenue	$ 31,430,076	$ 28,428,648	$ 25,294,832
Other operating revenues	169,804	9,714	52,348
Total operating revenues	31,599,880	28,438,362	25,347,180
OPERATING EXPENSES			
Salaries and benefits	17,797,127	15,987,759	14,389,903
Medical supplies and drugs	1,402,647	748,202	893,511
Insurance	292,026	305,293	208,474
Other operating expenses	12,450,698	11,919,086	10,110,267
Depreciation and amortization	1,234,927	1,017,408	934,739
Total operating expenses	33,177,425	29,977,748	26,536,894
OPERATING LOSS	(1,577,545)	(1,539,386)	(1,189,714)
NON-OPERATING REVENUES	1,746,636	2,640,775	1,088,087
CHANGE IN NET POSITION	169,091	1,101,389	(101,627)
NET POSITION, beginning of year	13,899,084	12,797,695	12,899,322
NET POSITION, end of year	$ 14,068,175	$ 13,899,084	$ 12,797,695

Operating loss – The first component influencing the change in the District's net position is the operating loss, which represents the difference between total net patient service revenue (and other operating revenues) and the expenses incurred to deliver those services. In FY 2024, the District reported an operating loss of approximately $1,578,000. This loss was primarily driven by rising staffing costs, overall increases in operating expenses, and lower-than-anticipated gross patient revenue, despite higher volumes in both inpatient and outpatient services. Additional contributing factors included the ramp-up of new provider costs and expanded outpatient clinic and surgical services.

The operating loss for FY 2024 marked a decline compared to the previous year. As a tax-exempt, community-owned organization, the District consistently incurs annual operating losses to provide healthcare services to all residents of Bandon and the surrounding area, regardless of their ability to pay, including vulnerable and low-income populations.

Change in Net Position: The District's change in net position for FY 2024 was a decrease of approximately $932,000. This followed a $1,101,000 Change in Net Position in FY 2023, which was driven largely by the recognition of Phase 4 Provider Relief Fund grant revenue.

Non-operating Revenues and Expenses: Non-operating revenues and expenses mainly consist of property taxes, grants, gifts, investment income, and interest payments. In FY 2023, the District saw a significant boost in non-operating income due to $943,000 in Phase 4 Provider Relief Funds. As a result of that unusual fiscal year, there was a $929,000 increase in non-capital grants, donations, and investment income. However, this led to a 34% net decrease (approximately $894,000) in non-operating revenues for FY 2024 compared to FY 2023.

The District's Statement of Cash Flow – In FY 2024, cash flows from operating activities decreased by approximately $2 million, primarily due to structural costs associated with critical access hospitals that exceeded net reimbursements from governmental and commercial payers. Additional factors included inflationary pressures on personnel, supplies, and equipment, as well as changes in working capital.

Noncapital financing activities resulted in approximately $1.2 million in cash flows for FY 2024, stemming from $1.1 million in property taxes and $300,000 in grants and other donations.

Cash flows used for capital and related financing activities decreased by approximately $375,000, driven by purchases of capital assets, debt service payments, and changes related to subscription-based information technology arrangements (SBITAs) and lease obligations.

Overall, the District's cash and cash equivalents saw a net decrease of approximately $1 million for FY 2024**.**

Capital Assets and Debt Administration

- **Capital Assets**

  As of June 30, 2024, the District's net investment in capital assets totaled approximately $5 million, after accounting for accumulated depreciation (refer to Note 7 in the financial statements). In FY 2024, the District invested about $1 million in buildings and equipment.

- **Debt Administration**

  As of June 30, 2024, the District had approximately $3.6 million in notes payable, capital lease obligations, and other debt (detailed in Note 9). During FY 2024, the District reduced its long-term debt by approximately $255,000.

- **Capital Lease and SBITA Assets and Liabilities**

  At June 30, 2024, the District held approximately $1.4 million in leased and subscription-based information technology arrangement (SBITA) assets, net of accumulated amortization (see Note 8). The District added no new lease and SBITA assets during FY 2024. As of that date, lease and SBITA liabilities stood at approximately $1.4 million (refer to Note 10). Throughout FY 2024, the District repaid around $443,000 in lease and SBITA obligations.

Contacting the District's Financial Management – This financial report provides patients, suppliers, taxpayers, and creditors with an overview of Southern Coos Health District's finances, demonstrating accountability for the funds received. For any questions about this report or to request additional financial information, please contact the District's Administrative Offices at:

Southern Coos Hospital & Health Center
900 11th Street SE,
Bandon, OR 97411

Financial Statements

Southern Coos Health District
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,641,008	$ 10,692,220
Receivables		
Patient accounts, net of estimated uncollectible amounts and contractual adjustments	3,907,824	2,820,371
Property taxes	80,964	28,158
Other	20,979	14,200
Supplies inventories	237,446	268,823
Assets limited as to use, current portion	2,594,418	2,089,184
Prepaid expenses	465,262	367,359
Total current assets	12,947,901	16,280,315
ASSETS LIMITED AS TO USE, net of current maturities	233,705	233,705
INVESTMENTS	3,510,375	-
CAPITAL ASSETS		
Land	461,527	461,527
Construction in process	721,183	28,377
Depreciable capital assets, net of accumulated depreciation	3,913,430	4,351,270
Leased and SBITA assets, net of accumulated amortization	1,327,811	1,836,718
Total capital assets, net	6,423,951	6,677,892
Total assets	$ 23,115,932	$ 23,191,912

See accompanying notes.

Southern Coos Health District
Statements of Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 1,367,272	$ 860,325
Accrued salaries and employee benefits	774,550	575,999
Accrued vacation	636,601	569,491
Accrued interest	100,993	100,328
Estimated third-party payor settlement	1,120,839	1,441,004
Current maturities of long-term debt	260,652	250,887
Current maturities of lease and SBITA liabilities	512,371	528,142
Total current liabilities	4,773,278	4,326,176
LONG-TERM DEBT, net of current maturities	3,378,866	3,643,882
LEASE and SBITA LIABILITIES, net of current maturities	895,613	1,322,770
Total liabilities	9,047,757	9,292,828
NET POSITION		
Net investment in capital assets	1,376,449	2,783,123
Restricted – expendable for debt service	233,705	233,705
Unrestricted	12,458,021	10,882,256
Total net position	14,068,175	13,899,084
Total liabilities and net position	$ 23,115,932	$ 23,191,912

See accompanying notes.

Southern Coos Health District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $77,451 and $123,229, respectively)	31,430,076	$ 28,428,648
Other operating revenues	169,804	9,714
Total operating revenues	31,599,880	28,438,362
OPERATING EXPENSES		
Salaries and benefits	17,797,127	15,987,759
Medical supplies and drugs	1,402,647	748,202
Insurance	292,026	305,293
Other operating expenses	12,450,698	11,919,086
Depreciation and amortization	1,234,927	1,017,408
Total operating expenses	33,177,425	29,977,748
OPERATING LOSS	(1,577,545)	(1,539,386)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,174,124	1,060,279
Investment income	505,014	326,843
Interest expense	(292,251)	(278,398)
Noncapital grants and donations	176,207	432,289
Provider Relief Fund grant revenue	-	942,959
Loss on sale of assets	(52,351)	(18,374)
Other	235,893	175,177
Net nonoperating revenue	1,746,636	2,640,775
CHANGE IN NET POSITION	169,091	1,101,389
NET POSITION, beginning of year	13,899,084	12,797,695
NET POSITION, end of year	$ 14,068,175	$ 13,899,084

See accompanying notes.

Southern Coos Health District
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	$ 30,022,458	$ 25,822,461
Cash paid to suppliers	(13,711,729)	(12,862,682)
Cash paid to employees	(17,531,466)	(16,038,178)
Other receipts from operations, net	225,659	28,087
Net cash from operating activities	(995,078)	(3,050,312)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,121,318	1,075,240
Proceeds from grants and donations	176,207	1,375,248
Net cash from noncapital financing activities	1,297,525	2,450,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,038,728)	(761,593)
Proceeds from sale of capital assets	1,887	-
Payments on lease and SBITA liabilities	(442,928)	(353,686)
Principal payments on long-term debt	(255,251)	(251,959)
Interest payments on long-term debt	(291,586)	(280,365)
Net cash from capital and related financing activities	(2,026,606)	(1,647,603)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	505,014	326,843
Purchase of investments	(3,510,375)	-
Net cash provided from other assets	183,542	156,803
Net cash from investing activities	(2,821,819)	483,646
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,545,978)	(1,763,781)
CASH AND CASH EQUIVALENTS, beginning of year	13,015,109	14,778,890
CASH AND CASH EQUIVALENTS, end of year	$ 8,469,131	$ 13,015,109
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents in current assets	$ 5,641,008	$ 10,692,220
Assets whose use is limited	2,828,123	2,322,889
Total cash and cash equivalents	$ 8,469,131	$ 13,015,109

See accompanying notes.

Southern Coos Health District
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING "LOSS" TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (1,577,545)	$ (1,539,386)
Adjustments to reconcile operating "loss" to net cash from operating activities		
Depreciation and amortization	1,234,927	1,017,408
Loss on disposal of fixed assets	55,855	18,374
Provision for bad debts	77,451	123,229
Changes in assets and liabilities		
Patient accounts receivable	(1,164,904)	254,265
Other receivables	(6,779)	(7,187)
Supplies inventories	31,377	(105,449)
Prepaid expenses	(97,903)	111,873
Accounts payable	506,947	110,661
Accrued salaries and employee benefits	198,551	63,564
Accrued vacation	67,110	(113,983)
Advance and refund liabilities	-	(4,242,814)
Estimated third-party payor settlements	(320,165)	1,259,133
Net adjustments	582,467	(1,510,926)
NET CASH FROM OPERATING ACTIVITIES	$ (995,078)	$ (3,050,312)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Lease and SBITA assets obtained in exchange for lease and SBITA liabilities	$ -	$ 2,084,831

See accompanying notes.

Note 1 – Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity – The Southern Coos Health District (the District), a municipal corporation, was organized under Oregon Revised Statutes (ORS) 440.305 through 440.410 to provide various health care and health care-related services to the citizens of its district. The District operates Southern Coos Hospital and Health Center (the Hospital). The District serves a very large, predominantly rural, nonmetropolitan geographic area in coastal Coos County, Oregon, inclusive of the cities of Bandon and Langlois and their surrounding areas. An elected five-member board governs the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by the GASB, there are no potential component units of the District, other than the Foundation.

Blended component units – These financial statements present the District and the following blended component units:

- The *Hospital Fund* – accounts for all general operating revenues and expenditures of the Hospital. The major sources of revenue are from charges for patient services and ad-valorem taxes, and the major source of expenses is for personal services.

- *Southern Coos Health Foundation* – The Southern Coos Health Foundation is a 501(c)(3) nonprofit corporation. Due to the oversight the Hospital District has over the selection of Foundation Board Members, the Foundation will continue to be with the District in accordance with GASB No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB No. 61, *The Financial Reporting Entity: Omnibus*.

Budgetary information – ORS 440.403 establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. Budgetary comparisons for enterprise funds are not required by GAAP. Accordingly, such comparisons of approved budgeted amounts with actual results of operations for individual funds prepared on a basis other than GAAP are set forth as supplementary information, as listed in the table of contents. Expenditure levels of control are personal services, materials and services, capital outlay, debt service, and contingencies. After a public hearing on the budget, it is adopted and appropriations are made by June 30, which is prior to the start of the fiscal year. Expenditures cannot legally exceed appropriations and lapse at fiscal year end. Action of the Board may transfer appropriations between control categories or amend the budget with notice.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by ORS. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the function group, but cannot make changes to the function groups themselves, which is the legal level of control.

Financial position, results of operations, and change in net position are reported on the basis of GAAP. The budgetary basis of accounting differs from GAAP. The budgetary basis statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison to actual results with the budget. The budgetary basis of accounting is substantially the same as GAAP, with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, compensated absences are expensed when paid rather than when incurred and principal payment and proceeds on long-term debt are recorded in revenues when received and expenditures when paid.

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

Enterprise fund accounting – The District uses enterprise fund accounting. Revenues and expenses are recognized on an accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost, which approximates market value.

Patient accounts receivable, net – Patient accounts receivable are reported net of estimated uncollectible amounts and contractual adjustments. The District manages receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts, based on experience and other circumstances, which may affect the ability of patients to meet their obligations. The District determines past due accounts based upon contract terms. Management does not believe there are any credit risks associated with receivables from governmental agencies. Private and other receivables consist of receivables from a large number of payors involved in diverse activities and subject to differing economic conditions, which do not represent any concentrated credit risks to the District.

Property taxes – The District received approximately 3.5% and 3.6% of its financial support from property taxes for the years ended June 30, 2024 and 2023, respectively. These funds were used to support general operations. Property taxes are levied by the County on the District's behalf on July 1, are payable on November 15, and may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by Coos County, and remittance to the District is made at periodic intervals. Property tax revenues are recognized when levied.

Supplies inventories – Supplies inventories, comprised primarily of medical and surgical inventories, are stated at lower of cost (first-in, first-out) or net realizable value.

Assets limited as to use – Periodically, the board of directors sets aside cash resources for the funding of future capital improvements and programs. As of June 30, 2024 and 2023, these cash resources were $2,594,418 and $2,089,184, respectively. In addition, certain funds are restricted by bond indentures to be used solely for debt service. As of June 30, 2024 and 2023, funds restricted by bond indentures were $233,705. These funds are classified as current.

Capital assets – The District's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Expenditures for maintenance and repairs are charged to operations as incurred. Betterments and major renewals with an estimated useful life of three years or greater and a cost of over $5,000 are capitalized.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method, which best reflects the diminished service utility of the capital asset.

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	8–25 years
Buildings	10–30 years
Major moveable equipment	3–20 years

Leases – The District has various leasing arrangements, which are primarily for certain medical equipment. The District determines if an arrangement is a lease at inception of the contract. For each lease, the District records a lease asset (representing the right to use the underlying asset for the lease term) and a lease liability (representing the obligation to make lease payments required under the terms of the lease). Lease assets and lease liabilities are recognized at the commencement date based on the present value of lease payments required over the lease term. The District uses its incremental borrowing rate – derived from information available at the lease commencement date – as the discount rate when determining the present value of lease payments.

Subscription-based information technology arrangements – Subscription-based information technology arrangement (SBITA) is a contract that conveys to the District control of the right to use another party's (i.e., a vendor's) IT software. The District has various SBITAs, which are primarily for accounting systems. The District determines if an arrangement is a SBITA at inception of the contract. For each SBITA, the District records a right-to-use subscription asset and a corresponding subscription liability. Subscription based assets and liabilities are recognized at the commencement of the subscription term based on the present value of subscription payments expected to be made during the subscription term. The District uses its incremental borrowing rate – derived from information available at the SBITA commencement date – as the discount rate when determining the present value of subscription payments.

Accrued vacation – The District has a paid time off plan, which includes vested vacation and holiday time. These benefits are accrued and expensed as they are earned.

Advance and refund liabilities – Advance and refund liabilities represent Medicare advance payments and provider relief funds.

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

Operating revenues and expenses – The District's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Non-exchange revenues, including taxes, investment income, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net patient service revenue – Patient service revenue is recorded at established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Preliminary settlements under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care – The District provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care expenses approximated $363,000 and $195,000 for the years ended June 30, 2024 and 2023, respectively.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Income taxes – The District is a municipal corporation under Oregon state law and is not subject to Federal income taxes.

Reclassifications – Certain account reclassifications and adjustments have been made to the consolidated financial statements of the prior year in order to conform to current year presentation. These reclassifications have no effect on previously reported net income or partners' equity.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net position date but before the financial statements are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements are available to be issued.

The District has evaluated subsequent events through November 19, 2024, which is the date the financial statements are available to be issued.

Note 2 – Advance and Refund Liabilities

Medicare advance payments – The CARES Act amended the existing CMS Accelerated Payments Program to provide additional benefits and flexibilities, including extended repayment timeframes, to the subset of providers specifically referenced in the CARES Act, including inpatient hospitals, children's hospitals, certain cancer hospitals, and critical access hospitals. During April 2020, the District received funds under the Accelerated Payments Program, administered by Noridian Medicare, of $7,352,042. Repayment was delayed until one year after payment was issued. For the year ended June 30, 2022, the District has recorded $3,041,479 as advance refund liability. The liability was paid in full during the fiscal year ended June 30, 2023.

Note 3 – Net Patient Service Revenue

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

Medicare – The District converted to a critical access hospital (CAH) for Medicare program purposes in 2000. Among other rules, as a CAH, the Hospital may operate no more than 25 beds. In addition, the annual average length of stay for all acute inpatients cannot exceed 96 hours per stay. As a CAH, the Hospital is reimbursed for Medicare inpatient and outpatient services at the cost of providing the service plus 1% rather than on a fee schedule or the inpatient Diagnosis-Related Group (DRG) and outpatient Ambulatory Payment Classification prospective payment system.

Medicare swing bed services are also reimbursed at cost for a CAH. The Hospital is paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

The District's Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2020.

Net revenue billed under the Medicare program totaled approximately $19,500,000 and $18,200,000 for the years ended June 30, 2024 and 2023, respectively.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under 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. The District's Medicaid cost reports have been audited by the Oregon Health Authority through June 30, 2020. Net revenue billed under the Medicaid program totaled approximately $5,400,000 and $4,700,000 for the years ended June 30, 2024 and 2023, respectively.

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

Note 4 – Cash and Cash Equivalents

Oregon Revised Statutes, Chapter 294, authorizes the District to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool, and various interest-bearing bonds of Oregon and other municipalities. The District has no investment policy that would further limit its investment choices.

The District had the following cash and cash equivalents at June 30:

	2024	2023
Demand deposits	$ 1,613,143	$ 1,631,580
Petty cash	1,160	955
Local government investment pool	6,854,828	11,382,574
Total cash and cash equivalents	$ 8,469,131	$ 13,015,109

Cash and cash equivalents are classified as follows at June 30:

	2024	2023
Cash and cash equivalents	$ 5,641,008	$ 10,692,220
Assets limited as to use	2,828,123	2,322,889
	$ 8,469,131	$ 13,015,109

The District maintains their 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. LGIP investments with remaining maturities of fewer than 90 days are carried at amortized cost, provided that the fair value of these instruments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. 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. The District considers all investments to be cash and cash equivalents.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Deposits – Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits. The District does not have a deposit policy for custodial credit risk. As of June 30, 2024, of the District's bank balance, approximately $250,000 was fully covered by depository insurance and no amount was exposed to custodial credit risk. As of June 30, 2023, of the District's bank balance, approximately $250,000 was fully covered by depository insurance and approximately $138,000 exposed to custodial credit risk.

Note 5 – Patient Accounts Receivable

The District provides services to patients, most of whom are local residents who are either uninsured, covered by commercial insurance, Medicare, or Oregon Department of Human Resources Adult and Family Services Division (Welfare) programs. The District grants credit without collateral and maintains reserves for potential credit losses. Such losses have historically been within management's expectations. Receivables, including the applicable allowance for estimated contractual adjustments and uncollectible accounts, are as follows:

	2024	2023
Receivables from patients and their insurance carriers	$ 1,929,249	$ 1,825,447
Receivable from Medicare	3,810,505	2,970,735
Receivable from Medicaid	1,488,934	838,621
Total patient accounts receivable	7,228,689	5,634,803
Less allowance for uncollectible amounts	(3,320,865)	(2,814,432)
Patient accounts receivable, net	$ 3,907,824	$ 2,820,371

Note 6 – Property Taxes Receivable

For the fiscal year ended June 30, 2024, the District levied their property taxes at the rate of $0.8892 per $1,000 of assessed property value. This levy was expected to raise $1,156,359 in property tax revenues, including $3,631 in additional taxes and penalties. The actual levy imposed for 2023–2024 was $1,156,000. Property tax revenues are recognized when levied and are used to support general operations.

	Receivable June 30, 2023	2023-2024 Net Levy	Collections	Interest Received	Discounts Allowed	Adjustments Applied	Receivable June 30, 2024
2023-2024	$ -	$ 1,156,359	$ (1,041,717)	$ 48	$ (29,724)	$ (319)	$ 84,647
2022-2023	10,938	-	(17,578)	4	-	(383)	(7,019)
2021-22	(1,322)	-	(6,346)	-	-	(59)	(7,727)
2020-21	10,380	-	(4,866)	-	-	(55)	5,459
2019-20	4,793	-	(2,248)	-	-	(34)	2,511
2018-19	1,698	-	(124)	-	-	(31)	1,543
Prior Years	1,671	-	(90)	-	-	(31)	1,550
	$ 28,158	$ 1,156,359	$ (1,072,969)	$ 52	$ (29,724)	$ (912)	$ 80,964

For the fiscal year ended June 30, 2023, the District levied their property taxes at the rate of $0.8892 per $1,000 of assessed property value. This levy was expected to raise $1,083,112 in property tax revenues, including $4,207 in additional taxes and penalties. The actual levy imposed for 2022–2023 was $1,083,000. Property tax revenues are recognized when levied, and are used to support general operations.

	Receivable June 30, 2022	2022-2023 Net Levy	Collections	Interest Received	Discounts Allowed	Adjustments Applied	Receivable June 30, 2023
2022-2023	$ -	$ 1,083,112	$ (1,030,067)	$ 523	$ (41,143)	$ (1,487)	$ 10,938
2021-22	13,712	-	(15,929)	1,071	(1)	(175)	(1,322)
2020-21	15,558	-	(6,107)	1,089	1	(161)	10,380
2019-20	8,537	-	(5,070)	1,472	1	(147)	4,793
2018-19	3,255	-	(2,344)	899	1	(113)	1,698
2017-18	955	-	(426)	309	-	(88)	750
Prior Years	1,102	-	(336)	285	-	(130)	921
	$ 43,119	$ 1,083,112	$ (1,060,279)	$ 5,648	$ (41,141)	$ (2,301)	$ 28,158

Note 7 – Capital Assets

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2024:

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
CAPITAL ASSETS AT COST					
Land	$ 461,527	$ -	$ -	$ -	$ 461,527
Construction in progress	28,377	692,806	-	-	721,183
Total non-depreciable	489,904	692,806	-	-	1,182,710
Land improvements	1,499,517	-	-	-	1,499,517
Buildings	6,539,518	5,235	-	-	6,544,753
Major movable equipment	9,108,776	346,113	(2,752)	-	9,452,137
Total depreciable	17,147,811	351,348	(2,752)	-	17,496,407
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION FOR					
Land improvements	(1,112,283)	(54,754)	-	-	(1,167,037)
Buildings	(4,756,483)	(273,904)	-	-	(5,030,387)
Major movable equipment	(6,927,775)	(457,778)	-	-	(7,385,553)
Total accumulated depreciation	(12,796,541)	(786,436)	-	-	(13,582,977)
Total capital assets, net	$ 4,841,174	$ 257,718	$ (2,752)	$ -	$ 5,096,140

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
CAPITAL ASSETS AT COST					
Land	$ 461,527	$ -	$ -	$ -	$ 461,527
Construction in progress	67,082	28,377	-	(67,082)	28,377
Total non-depreciable	528,609	28,377	-	(67,082)	489,904
Land improvements	1,430,940	68,577	-	-	1,499,517
Buildings	6,539,518	-	-	-	6,539,518
Major movable equipment	8,395,425	731,725	(18,374)	-	9,108,776
Total depreciable	16,365,883	800,302	(18,374)	-	17,147,811
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION FOR					
Land improvements	(1,056,593)	(55,690)	-	-	(1,112,283)
Buildings	(4,464,924)	(291,559)	-	-	(4,756,483)
Major movable equipment	(6,623,371)	(304,404)	-	-	(6,927,775)
Total accumulated depreciation	(12,144,888)	(651,653)	-	-	(12,796,541)
Total capital assets, net	$ 4,749,604	$ 177,026	$ (18,374)	$ (67,082)	$ 4,841,174

Construction in progress as of June 30, 2024, includes costs incurred in connection with various capital projects. The most significant of these capital projects is the implementation of EPIC. Management estimates that the cost to complete this project is approximately $1,663,834 as of June 30, 2024, with an estimated date of completion by Winter 2024.

Depreciation expense for the years ended June 30, 2024 and 2023, was $786,436 and $651,653, respectively.

Note 8 – Leases and SBITAs

A summary of lease and Subscription-based information technology arrangement (SBITA) activity for the year ended June 30, 2024, is as follows:

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Leased assets	$ 2,773,410	$ -	$ -	$ -	$ 2,773,410
Less accumulated amortization	(1,063,267)	(448,739)	-	-	(1,512,006)
Total leased assets, net	1,710,143	(448,739)	-	-	1,261,404
SBITA assets	196,271	-	-	-	196,271
Less accumulated amortization	(69,696)	(60,168)	-	-	(129,864)
Total SBITA assets	126,575	(60,168)	-	-	66,407
Total leased and SBITA assets, net	$ 1,836,718	$ (508,907)	$ -	$ -	$ 1,327,811

A summary of lease and SBITA activity for the year ended June 30, 2023, is as follows:

	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Leased assets	$ 839,604	$ 1,933,806	$ -	$ -	$ 2,773,410
Less accumulated amortization	(741,946)	(321,321)	-	-	(1,063,267)
Total leased assets, net	97,658	1,612,485	-	-	1,710,143
SBITA assets	29,515	166,756	-		196,271
Less accumulated amortization	(9,528)	(60,168)	-	-	(69,696)
Total SBITA assets	19,987	106,588	-	-	126,575
Total leased and SBITA assets, net	$ 117,645	$ 1,719,073	$ -	$ -	$ 1,836,718

Amortization expense for the years ended June 30, 2024 and 2023, was $508,907 and $365,758, respectively.

Note 9 – Long-Term Debt

A schedule of changes in the District's liabilities for 2024 and 2023 is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Long-term debt					
Revenue bonds	$ 2,844,769	$ -	$ (110,251)	$ 2,734,518	$ 110,652
Certificates of participation-2014A	500,000	-	(75,000)	425,000	80,000
Certificates of participation-2015A	550,000	-	(70,000)	480,000	70,000
Total liabilities	$ 3,894,769	$ -	$ (255,251)	$ 3,639,518	$ 260,652

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Long-term debt					
Revenue bonds	$ 2,941,733	$ -	$ (96,964)	$ 2,844,769	$ 105,887
Certificates of participation-2014A	575,000	-	(75,000)	500,000	75,000
Certificates of participation-2015A	620,000	-	(70,000)	550,000	70,000
Total liabilities	$ 4,136,733	$ -	$ (241,964)	$ 3,894,769	$ 250,887

The revenue bonds are issued through United States Department of Agriculture, Rural Development, and will be retired in October 2041 by annual payments, including interest at 4.5% per annum. The District is required to reserve $23,370 annually if it has operating revenues. The reserve is completed when the District accumulates $233,705, which will be used to fund the final bond payment. The District has reserved $233,705 as of June 30, 2024 and 2023.

The certificates of participation series 2014A will be retired in July 2029 by minimum variable annual principal payments starting at $60,000 and increasing to $90,000 by 2029, together with semi-annual interest payments at an interest rate ranging from 1.3% to 4.0% per annum. Payments began July 1, 2016.

The certificates of participation series 2015A will be retired in July 2030 by minimum variable annual principal payments starting at $60,000 and increasing to $90,000 by 2030, together with semi-annual interest payments at an interest rate ranging from 1.0% to 4.2% per annum. Payments began January 1, 2017.

All of the above debt is collateralized by unobligated net revenues and real property of the District.

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

	Revenue Bonds		Certificate of Participation		Certificate of Participation		Total Long-term Debt	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 110,652	$ 123,053	$ 80,000	$ 15,000	$ 70,000	$ 17,518	$ 260,652	$ 155,571
2026	115,632	118,074	80,000	12,080	75,000	14,888	270,632	145,042
2027	120,835	112,871	85,000	8,900	80,000	11,960	285,835	133,731
2028	126,273	107,433	90,000	5,400	80,000	8,820	296,273	121,653
2029	131,955	101,751	90,000	1,800	85,000	5,478	306,955	109,029
2030-2034	754,372	414,157	-	-	90,000	1,868	844,372	416,025
2035-2039	940,083	228,443	-	-	-	-	940,083	228,443
2040-2044	434,716	29,488	-	-	-	-	434,716	29,488
	$ 2,734,518	$ 1,235,270	$ 425,000	$ 43,180	$ 480,000	$ 60,532	$ 3,639,518	$ 1,338,982

Note 10 – Lease and SBITA Liabilities

A schedule of changes in the District's lease and SBITA liabilities for 2024 and 2023 is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Lease liabilities	$ 1,763,695	$ -	$ (395,689)	$ 1,368,006	$ 472,393
SBITA liabilities	87,217	-	(47,239)	39,978	39,978
Total	$ 1,850,912	$ -	$ (442,928)	$ 1,407,984	$ 512,371

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Lease liabilities	$ 100,247	$ 1,937,160	$ (273,712)	$ 1,763,695	$ 480,903
SBITA liabilities	19,520	168,413	(100,716)	87,217	47,239
Total	$ 119,767	$ 2,105,573	$ (374,428)	$ 1,850,912	$ 528,142

As of June 30, 2024, future scheduled principal and interest payments for leases and SBITAs were as follows:

	Lease Liabilities		SBITA Liabilities	
Year	Principal	Interest	Principal	Interest
2025	$ 472,393	$ 92,105	$ 39,978	$ 1,674
2026	417,627	58,312	-	-
2027	380,425	26,308	-	-
2028	97,561	5,658	-	-
	$ 1,368,006	$ 182,383	$ 39,978	$ 1,674

Note 11 – Retirement and Deferred Compensation Plans

The District maintains a tax-sheltered annuity plan (the 403(b) Plan) under Section 403(b) and the related paragraphs of the Internal Revenue Code (IRC) that covers all employees. Under the 403(b) Plan, employees are generally immediately eligible to participate and can contribute the maximum allowable under current Internal Revenue Service (IRS) regulations. The 403(b) plan allows for Roth contributions subject to IRS limits. For the years ended June 30, 2024 and 2023, the employee contributions to the 403(b) Plan were $489,779 and $480,322, respectively. Employer contributions are not permitted under this plan.

The District has a contract with The Variable Annuity Life Insurance Company to establish a qualified tax deferred annuity retirement plan (the 401(a) Plan) under Section 401(a) and related paragraphs of the Internal Revenue Code. Under the 401(a) Plan, employees are generally eligible to participate upon completion of one year of service and reaching 18 years of age. The District makes discretionary matching contributions based upon employee contributions to the 403(b) Plan with a maximum match of 5% of the employee's eligible compensation. Employees must meet minimum service hours to be eligible for the match. Employees are immediately vested. For the years ended June 30, 2024 and 2023, the District contributions to the 401(a) Plan were $334,279 and $367,437, respectively. Employee contributions are not permitted under this plan.

The District also maintains a deferred compensation plan under Section 457(b) of the Internal Revenue Code (the 457(b) Plan). Under the 457(b) Plan, all employees are eligible to participate, and the plan allows for Roth contributions subject to IRS limits. For the years ended June 30, 2024 and 2023, the employee contributions to the 457(b) Plan were $33,214 and $25,359, respectively. Employer contributions are not permitted under this plan.

The board of directors is solely responsible for changes and modifications to any of the plans.

Note 12 – Contingent Liabilities

Contractual arrangement – The District renders service to patients under contractual arrangements with Medicare and Medicaid programs. The programs' administrative procedures preclude final determination of amounts due to/from the District for services to program patients until after the District's cost reports are audited or otherwise reviewed and settled upon with the respective administrative agencies. Preliminary calculations of revenue adjustments relative to third-party contractual agreements are included in the accompanying financial statements.

Compliance with laws and regulations – The District is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. The District has implemented a voluntary corporate compliance program, which includes guidance for all District employees' adherence to applicable laws and regulations. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the District's future financial position or results of operations.

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

General and professional liability – Southern Coos Health District maintains primary and umbrella general and professional liability insurance coverage through "claims made" type policies. Current coverage is for $2,000,000 per claim with a $6,000,000 annual aggregate limit. The coverage has no deductible. Should the "claims made" policies not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination may be uninsured. The hospital records estimated liabilities for reported claims as well as an estimated tail liability for claims that have been incurred but not reported. These amounts were not significant to the financial statements for the years ended June 30, 2024 and 2023.

GAAP requires that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is not aware of any potential liabilities that would exceed its coverage at June 30, 2024 and 2023.

Supplementary Information

Southern Coos Health District
Schedule of Adopted Appropriations and Expenditures
Original and Final Budget and Actual
June 30, 2024

	Year Ended June 30, 2024				
	Actual	Budgetary Adjustment	Budgetary Basis	Original/Final Budget	Variance
Revenues					
Total revenues except property taxes	$ 32,516,994	$ -	$ 32,516,994	$ 37,080,889	$ (4,563,895)
Property tax revenue	1,174,124	-	1,174,124	1,132,685	41,439
Total revenues	33,691,118	-	33,691,118	38,213,574	(4,522,456)
Expenditures					
Personal services	17,797,127	-	17,797,127	25,290,780	(7,493,653)
Materials and services	14,145,371	-	14,145,371	13,360,684	784,687
Capital outlay	1,234,927	(196,199)	1,038,728	1,188,000	(149,272)
Debt service	292,251	255,251	547,502	1,989,027	(1,441,525)
Total expenditures	33,469,676	59,052	33,528,728	41,828,491	(8,299,763)
(Deficit)/Excess of revenues over expenditures	221,442	(59,052)	162,390	(3,614,917)	3,777,307
Other financing sources	(52,351)	-	(52,351)	-	(52,351)
Total other financing sources	(52,351)	-	(52,351)	-	(52,351)
(Deficit)/Excess of revenues over expenditures and other financing sources (uses)	$ 169,091	$ (59,052)	110,039	(3,614,917)	3,724,956
NET POSITION, beginning of year			11,115,961	1,384,691	9,731,270
NET POSITION, end of year			$ 11,226,000	$ (2,230,226)	$ 13,456,226

Southern Coos Health District
Combining Statement of Net Position
June 30, 2024

	Southern Coos Health District	Southern Coos Health Foundation	Eliminating Entries	Combined Total
CURRENT ASSETS				
Cash and cash equivalents	$ 5,476,935	$ 164,073	$ -	$ 5,641,008
Receivables				
Patient accounts, net of estimated uncollectible amounts and contractual adjustments	3,907,824	-	-	3,907,824
Property taxes	80,964	-	-	80,964
Other	20,854	125.00	-	20,979
Supplies inventories	230,931	6,515	-	237,446
Assets limited as to use, current portion	2,500,000	94,418	-	2,594,418
Prepaid expenses	465,262	-	-	465,262
Total current assets	12,682,770	265,131	-	12,947,901
ASSETS LIMITED AS TO USE, net of current PORTION	233,705	-	-	233,705
INVESTMENTS	3,510,375	-	-	3,510,375
CAPITAL ASSETS				
Land	461,527	-	-	461,527
Construction in process	721,183	-		721,183
Depreciable capital assets, net of accumulated depreciation	3,913,430	-	-	3,913,430
Leased and SBITA assets, net of accumulated amortization	1,327,811	-		1,327,811
Total capital assets, net	6,423,951	-	-	6,423,951
Total assets	$ 22,850,801	$ 265,131	$ -	$ 23,115,932
CURRENT LIABILITIES				
Accounts payable	$ 1,344,653	$ 22,619	$ -	$ 1,367,272
Accrued salaries and employee benefits	774,550	-	-	774,550
Accrued vacation	636,601	-	-	636,601
Accrued interest	100,993	-	-	100,993
Estimated third-party payor settlement	1,120,839	-	-	1,120,839
Current maturities of long-term debt	260,652	-	-	260,652
Current maturities of lease and SBITA liabilities	512,371	-	-	512,371
Total current liabilities	4,750,659	22,619	-	4,773,278
LONG-TERM DEBT, net of current maturities	3,378,866	-	-	3,378,866
LEASE and SBITA LIABILITIES, net of current maturities	895,613	-	-	895,613
Total liabilities	9,025,138	22,619	-	9,047,757
NET POSITION				
Net investment in capital assets	1,376,449	-	-	1,376,449
Restricted – expendable for debt service	233,705	-	-	233,705
Unrestricted	12,215,509	242,512	-	12,458,021
Total net position	13,825,663	242,512	-	14,068,175
Total liabilities and net position	$ 22,850,801	$ 265,131	$ -	$ 23,115,932

Southern Coos Health District
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2024

	Southern Coos Health District	Southern Coos Health Foundation	Eliminating Entries	Combined Total
OPERATING REVENUES				
Net patient service revenue (net of provision for bad debts of $77,451)	$ 31,430,076	$ -	$ -	$ 31,430,076
Other operating revenues	169,804	-	-	169,804
Total operating revenues	31,599,880	-	-	31,599,880
OPERATING EXPENSES				
Salaries and benefits	17,797,127	-	-	17,797,127
Medical supplies and drugs	1,402,647	-	-	1,402,647
Insurance	292,026	-	-	292,026
Other operating expenses	12,256,026	194,672	-	12,450,698
Depreciation and amortization	1,234,927	-	-	1,234,927
Total operating expenses	32,982,753	194,672	-	33,177,425
OPERATING LOSS	(1,382,873)	(194,672)	-	(1,577,545)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	1,174,124	-	-	1,174,124
Investment income	492,090	12,924	-	505,014
Interest expense	(292,251)	-	-	(292,251)
Noncapital grants and donations	8,824	167,383	-	176,207
Gain on sale of assets	(52,351)	-	-	(52,351)
Other	210,958	24,935	-	235,893
Net nonoperating revenue	1,541,394	205,242	-	1,746,636
CHANGE IN NET POSITION	158,521	10,570	-	169,091
NET POSITION, beginning of year	13,667,142	231,942	-	13,899,084
NET POSITION, end of year	$ 13,825,663	$ 242,512	$ -	$ 14,068,175

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Report of Independent Auditors Required by Oregon State Regulations

The Board of Directors
Southern Coos Health District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Southern Coos Health District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Southern Coos Health District's basic financial statements, and have issued our report thereon dated November 19, 2024.

Compliance

As part of obtaining reasonable assurance about whether the Southern Coos Health District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 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 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.

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 Southern Coos Health District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

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

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

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

This report is intended solely for the information and use of the Board of Directors and management of Southern Coos Health District and the Oregon Secretary of State and is not intended to be, and should not be, used by anyone other than these parties.

Tony Andrade, Partner for, Moss Adams LLP
Portland, Oregon
November 19, 2024

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Report of Independent Auditors 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*

The Board of Directors
Southern Coos Health District

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 Southern Coos Health District (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Southern Coos Health District's basic financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Tony Andrade, Partner for, Moss Adams LLP
Portland, Oregon
November 19, 2024


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SOUTHERN COOS HEALTH DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2025 AND 2024

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INTRODUCTORY SECTION

SOUTHERN COOS HEALTH DISTRICT
GOVERNING BOARD AND PRINCIPAL EMPLOYEE
YEAR ENDED JUNE 30, 2025

Members of the Board of Directors as of July 1, 2024:

Thomas Bedell	Board Chair
Mary Schamehorn	Secretary
Pamela Hansen	Treasurer
Robert Pickel	Board Member
Katherine (Kay) Hardin	Board Member

Southern Coos Health District has designated the following registered agent and office as of July 1, 2024:

Raymond T. Hino, CEO — Registered Agent

The above individuals can be contacted at the address below:

900 11th Street SE
Bandon, Oregon 97411

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern Coos Health District
Bandon, Oregon

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Southern Coos Health District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025, 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 (U.S. GAAP).

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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 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.

Required Supplementary Information (Continued)

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 combining statement of net position, combining statement of revenues, expenses, and changes in net position, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Information – Non-GAAP Budgetary Basis Schedules

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 schedules of revenues and expenditures – budget (non-GAAP budgetary basis) and actual on page 36 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of revenues and expenditures – budget (non-GAAP budgetary basis) and actual on page 36 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended June 30, 2025. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2025, 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.

Other Matters

The 2024 financial statements of Southern Coos Health District were audited by other auditors, who report dated November 19, 2024 expresses an unmodified opinion of those statements.

CliftonLarsonAllen LLP

Bellevue, Washington
December 18, 2025

Southern Coos Hospital & Health Center presents this Management's Discussion and Analysis to offer context and insight into the factors influencing the organization's financial position for the fiscal years ended June 30, 2025, 2024, and 2023. This overview reflects management's perspective and is intended to complement the financial statements and enhance the reader's understanding of key issues and elements affecting the hospital's financial performance.

About the District

Southern Coos Health District (the District) is a nonprofit municipal corporation doing business as Southern Coos Hospital & Health Center (SCHHC). SCHHC operates a hospital, a primary care clinic and a multi-specialty clinic. Located in Bandon, Oregon, the District serves a population of approximately 10,000 residents across southern Coos County and northern Curry County. The Federal Government has designated Coos County as a Medically Underserved Area (MUA). As of 2025, the reported population of Bandon was 3,323.

History and Governance

Established in 1955, the District is governed by a five-member publicly- elected Board of Directors, with daily operations managed by the Chief Executive Officer. The District employed 217 staff members as of June 30, 2025, up from 186 the previous year. Annual expense for salary and benefits totals approximately $20.8 million. Southern Coos Hospital & Health Center is the second-largest employer in Bandon, providing both highly skilled professional jobs and entry-level positions. The hospital not only supports local employment but also contributes to the community's appeal for relocation and retirement.

Critical Access Hospital Designation

In November 2000, SCHHC received designation as a Critical Access Hospital (CAH). This designation allows the hospital to receive Medicare reimbursement based on costs, providing a higher level of reimbursement than standard Medicare rates.

Services and Facilities

The District's hospital is licensed for 21 acute care beds and provides a range of services, including:

- Emergency Services – 24-hour Emergency Room
- Inpatient Care – Acute Inpatient Beds, Swing Beds, and Observation Services
- Outpatient Services
  - ✓ Laboratory
  - ✓ Diagnostic Imaging (MRI, CT, X-rays, Mammography, Ultrasound, Echocardiograms)
  - ✓ Surgical Services
  - ✓ Respiratory Care
  - ✓ Wound Care Clinic
  - ✓ Primary Care Clinic (including Pain Management and Licensed Clinical Social Work)

Financial Overview

The District serves a significant number of Medicare and Medicaid patients, as well as patients who are unable to pay for services (managed through charity care and bad debt). The community supports the hospital through a property tax rate of $0.8892 per $1,000 of assessed valuation, which helps fund the facility. However, this tax revenue, combined with fundraising by the Southern Coos Health Foundation (a separate 501(c)(3) entity that supports the hospital), covers 3% of the hospital and clinic operating expenses. The remaining 97% of funding comes from amounts collected for billed hospital and clinic services.

Issues Facing the Southern Coos Health District

Bandon's economy, like many coastal communities in Oregon, relies heavily on tourism, government and institutional functions, and the fishing and timber industries. Many residents are self-employed, work for small businesses, or are retired, which results in a lower prevalence of employer-sponsored health insurance. Most commercial business within the district comes from hospital employees, the City of Bandon, the Bandon School District, and the Bandon Dunes Golf Resort. With a growing older population and fewer employer-based health plans, maintaining a positive financial outcome from operations remains a challenge. As of 2025, the payer mix included 61.6% Medicare, 18.6% Medicaid, 17.4% commercial and other payors, and 2.4% self-pay. This is relatively stable compared to 2024, where the breakdown was 62.4% Medicare, 17.4% Medicaid, 18.8% commercial and other payors, and 1.4% self-pay.

The District is one of 25 Critical Access Hospitals in Oregon and faces several challenges typical for such facilities, including rising healthcare costs, decreased reimbursements, and difficulties in recruiting and retaining qualified medical personnel. In 2024 and 2025, several key positions, including the CFO (February 2024), and other clinical and administrative leadership roles, were either vacant or transitioning. To address these issues, SCHHC has committed to ongoing recruitment efforts, improving corporate culture, and enhancing internal and external communication.

In May and June 2022, the District approved a three-year strategic plan focusing on key strategies in areas such as people, service, quality, growth, finance, and regulatory compliance. After completing over 90% of the 2022 plan, SCHHC management and the District Board of Directors developed new strategic initiatives, and the 2022-2025 Strategic Plan was renewed in May 2024. This living plan emphasizes transparency, collaboration, and accountability while establishing timelines for improvement projects.

Additional Challenges

- **Skilled Labor Shortages:** Strong demand for clinical staff, including nurses and medical technologists, and for essential non-clinical administrative roles has led to continued reliance on costly interim and agency labor. Recruiting and retaining employees remains challenging, with relatively high turnover necessitating ongoing recruitment, training, and employee engagement initiatives.

Additional Challenges (Continued)

- **Rising Technology Costs:** The District implemented replacements for its Electronic Health Records (EHR) and Enterprise Resource Planning (ERP) systems – a costly, high-stakes, and resource-consuming endeavor.
    - EPIC Implementation (EHR): In December 2025, the District undertook the significant challenge of implementing EPIC Community Connect through Providence Health System. The migration improved documentation accuracy, revenue charge capture, and regional interoperability, but requires ongoing benchmark monitoring to ensure objectives and performance expectations were achieved.
    - Sage Intacct Implementation (ERP): In November 2025, the District implemented Sage Intacct, a significant undertaking completed concurrently with the EPIC migration. The mid-fiscal year transition required maintaining operations in both the new Sage system and the legacy CPSI system for reporting purposes, including preparation of the annual financial statements and Medicare cost report.

- **Space and Infrastructure Constraints:** In FY 2025, the District completed a major remodel of the Sterile Processing Department to meet regulatory requirements and support the surgical services line with state-of-the-art equipment. Additionally, the District purchased a new building to provide expanded administrative and nonclinical space, addressing the limitations of the existing campus for its growing staff. Expansion requires balancing capital improvements with operational demands.
- **DNV Accreditation:** In the calendar year 2025, the District completed its fourth DNV Accreditation survey, securing approval for the next three-year cycle. Annual surveys will continue to maintain compliance and support quality improvement efforts, while the District positions itself for ISO certification in a subsequent survey.
- **State & Federal Funding Limitations:** Growth in Medicaid funding through Coordinated Care Organizations remains capped, limiting reimbursement increases for providers. The District, along with all healthcare providers, continues to operate in a challenging political and policy environment, with uncertainty about the future direction of both state Medicaid and federal Medicare programs.
- **Regulatory Demands:** Increasing clinical quality and regulatory reporting requirements have necessitated enhancements to the District's organizational structure and staffing for Risk, Quality, and Compliance functions. Meeting these demands requires continuous monitoring, staff training, and investment in reporting resources.
- **Local Housing Shortages:** The service area, including Bandon, faces significant shortages of affordable housing, complicating efforts to attract and recruit providers and other staff.

Expanding Access and Strengthening Clinical Leadership

- **Outpatient Clinic Services:** Since the opening of a new outpatient clinic on March 9, 2015, the District has provided a range of primary and specialty care services. During Fiscal Years 2024 and 2025, clinic services included employing Primary Care Providers such as Doctors of Osteopathic Medicine (D.O.), Doctors of Medicine (M.D.), Family Nurse Practitioners, Surgeons, and a Licensed Clinical Social Worker (LCSW). A clinic Medical Director and the use of locum tenens providers have expanded the clinic's capacity to offer same-day appointments. Management continues to explore expansion opportunities based on community input from the triannual Community Health Needs Assessment and internal strategic assessments, particularly initiatives aimed at increasing primary care capacity.

Expanding Access and Strengthening Clinical Leadership (Continued)

- **Clinical Hospital Management:** In FY2025, the District also hired its first Chief Medical Officer to provide oversight of inpatient and pharmacy services as a member of the Executive Staff.
- **Retail Pharmacy Development:** Recognizing a critical gap in local access to medications after the closure of the Bandon Rite Aid store and pharmacy, the District opened a retail pharmacy in June 2025. The pharmacy is available to all residents, regardless of patient status. This initiative demonstrates the District's commitment to addressing community needs and improving local healthcare access.

2025 Financial Highlights

- **Operating Loss**: FY 2025 saw an operating loss of approximately $3M, almost double the $1.6M operating loss in FY 2024.
- **Net Patient Service Revenue**: Increased approximately $3M (10%) from FY 2024 to FY 2025.
- **Operating Expenses:** Increased approximately $4.4M (13%) from FY 2024 to FY 2025.
- **Net Nonoperating Revenues and Expenses:** Declined approximately $173K (10%) compared to FY 2024.
- **Change in Net Position:** Decreased by approximately $1.6M from $169,091 in FY 2024 to ($1,463,684) in FY 2025.

Using this Annual Report

The annual report includes three main financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Along with related notes and supplementary information, these documents provide insights into the District's operations and financial activities, including resources restricted for specific purposes.

Overview of Financial Statements

One key question regarding the District's finances is whether the organization is financially better or worse off as a result of the year's activities. These financial statements offer information to help answer that question, presenting the District's assets and liabilities using the accrual basis of accounting, which is similar to methods used by private-sector companies. This approach accounts for all revenues and expenses in the current year, regardless of when cash transactions occur.

- **Statement of Net Position:** This statement provides a snapshot of the District's financial status, showing its resources (assets) and obligations (liabilities) at a specific point in time. It reflects the District's equity, or net position, which is the difference between total assets and total liabilities owed to creditors such as bondholders, suppliers, and employees.
- **Statement of Revenues, Expenses, and Changes in Net Position:** Sometimes referred to as an Income Statement, this report indicates how the District's net position has changed over the year due to operational results and other factors. It serves as a key indicator of whether the District's financial situation is improving or deteriorating, alongside factors like changes in the patient population, regulatory adjustments, funding variations, and local economic conditions.

- **Statement of Cash Flows:** This statement outlines the District's cash receipts, payments, and changes in cash and cash equivalents over the year. It shows cash inflows from operations, contributions, and other sources, as well as how those funds were utilized (e.g., covering operating costs, debt payments, or capital purchases). Additionally, it reports the net change in cash reserves during the period.

The District's Statement of Net Position

As mentioned, the net position reported on the Statement of Net Position can be a useful measure of the District's financial health over time. The following section presents key financial information derived from the District's Statement of Net Position.

	June 30,		
	2025	2024	2023
ASSETS			
Current Assets	$ 13,034,481	$ 12,947,901	$ 16,280,315
Capital Assets, Net	8,243,891	6,423,951	6,677,892
Noncurrent Assets	3,419,943	3,744,080	233,705
Total Assets	$ 24,698,315	$ 23,115,932	$ 23,191,912
LIABILITIES			
Current Liabilities	$ 5,624,824	$ 4,773,278	$ 4,326,176
Noncurrent Liabilities	6,469,000	4,274,479	4,966,652
Total Liabilities	12,093,824	9,047,757	9,292,828
NET POSITION			
Net Investment in Capital Assets	219,546	1,376,449	2,783,123
Restricted – Expendable for Debt Service	3,419,943	233,705	233,705
Unrestricted	8,965,002	12,458,021	10,882,256
Total Net Position	12,604,491	14,068,175	13,899,084
Total Liabilities and Net Position	$ 24,698,315	$ 23,115,932	$ 23,191,912

The District's Statement of Revenues, Expenses, and Changes in Net Position

Below is a summary of key financial information drawn from the District's Statement of Revenues, Expenses, and Changes in Net Position.

	June 30,		
	2025	2024	2023
OPERATING REVENUES			
Net Patient Service Revenue	$ 34,418,414	$ 31,430,076	$ 28,428,648
Other Operating Revenues	109,151	169,804	9,714
Total Operating Revenues	34,527,565	31,599,880	28,438,362
OPERATING EXPENSES			
Salaries and Benefits	20,751,199	17,797,127	15,987,759
Medical Supplies and Drugs	2,444,454	1,402,647	748,202
Insurance	290,435	292,026	305,293
Other Operating Expenses	11,851,534	12,450,698	11,919,086
Depreciation and Amortization	2,226,950	1,234,927	1,017,408
Total Operating Expenses	37,564,572	33,177,425	29,977,748
OPERATING LOSS	(3,037,007)	(1,577,545)	(1,539,386)
NONOPERATING REVENUES	1,573,323	1,746,636	2,640,775
CHANGE IN NET POSITION	(1,463,684)	169,091	1,101,389
Net Position - Beginning of Year	14,068,175	13,899,084	12,797,695
NET POSITION - END OF YEAR	$ 12,604,491	$ 14,068,175	$ 13,899,084

Operating Loss

The first component influencing the change in the District's net position is the operating loss, which represents the difference between total net patient service revenue (and other operating revenues) and the expenses incurred to deliver those services. In FY 2025, the District reported an operating loss of approximately $3,037,000. This loss was primarily driven by the implementation and associated costs of the EMR and ERP software systems, coupled with the typical reduction in patient revenue that often occurs when migrating from one electronic health records and billing system to another. Additional factors contributing to the loss included rising labor and employee health benefits costs, overall increases in operating expenses — particularly facility improvements, real estate, and medical supplies. The ramp-up of new provider costs and the expansion of outpatient clinic and surgical service lines that were not as heavily reimbursed by Medicare also contributed to the operating loss.

The operating loss for FY 2025 marked a significant decline compared to the previous year. As a tax-exempt, community-owned organization, the District consistently incurs annual operating losses to provide healthcare services to all residents of Bandon and the surrounding area, regardless of their ability to pay, including vulnerable and low-income populations.

Nonoperating Revenues and Expenses

Non-operating revenues and expenses mainly consist of property taxes, grants, gifts, investment income, and interest payments. In FY 2025, the District saw an increase in Interest Expense, although this was offset by Investment income. Overall, there was an 10% net decrease (approximately $173,000) in non-operating revenues for FY 2025 compared to FY 2024.

The District's Statement of Cash Flow

In FY 2025, cash flows from operating activities decreased by approximately $666,000, primarily due to structural costs associated with critical access hospitals that exceeded net reimbursements from governmental and commercial payers. Additional factors included inflationary pressures on personnel, supplies, and equipment, as well as changes in working capital.

Noncapital financing activities resulted in approximately $1.5 million in cash flows for FY 2025, stemming from approximately $1.1 million in property taxes and $400,000 in grants and other donations.

Cash flows used for capital and related financing activities decreased by approximately $1.5 million, driven by purchases of capital assets, debt service payments, and changes related to subscription-based information technology arrangements (SBITAs) and lease obligations.

Overall, the District's cash and cash equivalents saw a net increase of approximately $326,000 for FY 2025.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the District's net investment in capital assets totaled approximately $7 million, after accounting for accumulated depreciation (refer to Note 5 in the financial statements). In FY 2025, the District invested approximately $3.5 million in capital assets.

Debt Administration

As of June 30, 2025, the District had approximately $6,718,000 in notes payable and other debt (detailed in Note 7). During FY 2025, the District reduced its long-term debt by approximately $461,000.

Capital Lease and SBITA Assets and Liabilities

At June 30, 2025, the District held approximately $1,238,000 million in leased and subscription-based information technology arrangement (SBITA) assets, net of accumulated amortization (see Note 6). The District added one new lease asset during FY 2025. As of that date, lease and SBITA liabilities stood at approximately $1,306,000 million (refer to Note 8). Throughout FY 2025, the District repaid approximately $621,000 in lease and SBITA obligations.

Contacting the District's Financial Management

This financial report provides patients, suppliers, taxpayers, and creditors with an overview of Southern Coos Health District's finances, demonstrating accountability for the funds received. For any questions about this report or to request additional financial information, please contact the District's Administrative Offices at:

Southern Coos Hospital & Health Center
900 11th Street SE
Bandon, OR 97411

SOUTHERN COOS HEALTH DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,955,117	$ 5,641,008
Receivables		
Patient Accounts, Net	3,714,948	3,907,824
Property Taxes	83,955	80,964
Other	29,982	20,979
Supplies Inventories	353,931	237,446
Assets Limited as to Use, Current Portion	2,605,867	2,594,418
Prepaid Expenses	290,681	465,262
Total Current Assets	13,034,481	12,947,901
ASSETS LIMITED AS TO USE, NET OF CURRENT MATURITIES	3,419,943	233,705
INVESTMENTS	-	3,510,375
CAPITAL ASSETS		
Land	461,527	461,527
Construction in Process	89,471	721,183
Depreciable Capital Assets, Net of Accumulated Depreciation	6,455,128	3,913,430
Lease and SBITA Assets, Net of Accumulated Amortization	1,237,765	1,327,811
Total Capital Assets, Net	8,243,891	6,423,951
Total Assets	$ 24,698,315	$ 23,115,932

See accompanying Notes to Financial Statements.

SOUTHERN COOS HEALTH DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2025 AND 2024

	2025	2024
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 1,525,154	1,367,272
Accrued Salaries and Employee Benefits	923,322	774,550
Accrued Vacation	817,741	636,601
Accrued Interest	117,956	100,993
Estimated Third-Party Payor Settlements	534,782	1,120,839
Unearned Revenue	150,524	-
Current Maturities of Long-Term Debt	1,098,507	260,652
Current Maturities of Lease and SBITA Liabilities	456,838	512,371
Total Current Liabilities	5,624,824	4,773,278
LONG-TERM DEBT, NET OF CURRENT MATURITIES	5,619,735	3,378,866
LEASE AND SBITA LIABILITIES, NET OF CURRENT MATURITIES	849,265	895,613
Total Liabilities	12,093,824	9,047,757
NET POSITION		
Net Investment in Capital Assets	219,546	1,376,449
Restricted – Expendable for Debt Service	3,419,943	233,705
Unrestricted	8,965,002	12,458,021
Total Net Position	12,604,491	14,068,175
Total Liabilities and Net Position	$ 24,698,315	$ 23,115,932

See accompanying Notes to Financial Statements.

SOUTHERN COOS HEALTH DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Net Patient Service Revenue (Net of Provision for Bad Debts of $65,491 and $77,451, Respectively)	$ 34,418,414	$ 31,430,076
Other Operating Revenues	109,151	169,804
Total Operating Revenues	34,527,565	31,599,880
OPERATING EXPENSES		
Salaries and Benefits	20,751,199	17,797,127
Medical Supplies and Drugs	2,444,454	1,402,647
Insurance	290,435	292,026
Other Operating Expenses	11,851,534	12,450,698
Depreciation and Amortization	2,226,950	1,234,927
Total Operating Expenses	37,564,572	33,177,425
OPERATING LOSS	(3,037,007)	(1,577,545)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	1,172,488	1,174,124
Investment Income	520,275	505,014
Interest Expense	(465,406)	(292,251)
Noncapital Grants and Donations	228,593	176,207
Loss on Sale of Assets	-	(52,351)
Other	117,373	235,893
Total Nonoperating Revenues (Expenses)	1,573,323	1,746,636
CHANGE IN NET POSITION	(1,463,684)	169,091
Net Position - Beginning of Year	14,068,175	13,899,084
NET POSITION - END OF YEAR	$ 12,604,491	$ 14,068,175

See accompanying Notes to Financial Statements.

SOUTHERN COOS HEALTH DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients and Third-Party Payors	$ 34,025,233	$ 30,022,458
Cash Paid to Suppliers	(14,370,445)	(13,711,729)
Cash Paid to Employees	(20,421,287)	(17,531,466)
Other Receipts from Operations, Net	100,148	225,659
Net Cash Used by Operating Activities	(666,351)	(995,078)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	1,169,497	1,121,318
Proceeds from Grants and Donations	379,117	176,207
Net Cash Provided by Noncapital Financing Activities	1,548,614	1,297,525
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(3,528,115)	(1,038,728)
Proceeds from Sale of Capital Assets	-	1,887
Principal Payments on Lease and SBITA Liabilities	(620,656)	(442,928)
Issuance of Long-Term Debt	3,539,376	-
Principal Payments on Long-Term Debt	(460,652)	(255,251)
Interest Payments on Long-Term Debt, Lease, and SBITA Liabilities	(448,443)	(291,586)
Net Cash Used by Capital and Related Financing Activities	(1,518,490)	(2,026,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	520,275	505,014
(Purchases) Sales of Investments	324,137	(3,510,375)
Net Cash Provided from Other Assets	117,373	183,542
Net Cash Provided (Used) by Investing Activities	961,785	(2,821,819)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	325,558	(4,545,978)
Cash and Cash Equivalents - Beginning of Year	8,469,131	13,015,109
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,794,689	$ 8,469,131
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	$ 5,955,117	$ 5,641,008
Assets Limited As To Use	2,839,572	2,828,123
Total Cash and Cash Equivalents	$ 8,794,689	$ 8,469,131

See accompanying Notes to Financial Statements.

SOUTHERN COOS HEALTH DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FROM OPERATING ACTIVITIES		
Operating Loss	$ (3,037,007)	$ (1,577,545)
Adjustments to Reconcile Operating Loss to Net Cash Used from Operating Activities:		
Depreciation and Amortization	2,226,950	1,234,927
Loss on Disposal of Fixed Assets	-	55,855
Provision for Bad Debts	65,491	77,451
Changes in Assets and Liabilities:		
Patient Accounts Receivable	127,385	(1,164,904)
Other Receivables	(9,003)	(6,779)
Supplies Inventories	(116,485)	31,377
Prepaid Expenses	174,581	(97,903)
Accounts Payable	157,882	506,947
Accrued Salaries and Employee Benefits	148,772	198,551
Accrued Vacation	181,140	67,110
Estimated Third-Party Payor Settlements	(586,057)	(320,165)
NET CASH USED FROM OPERATING ACTIVITIES	$ (666,351)	$ (995,078)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Lease and SBITA Assets Obtained in Exchange for Lease and SBITA Liabilities	$ 518,775	$ -

See accompanying Notes to Financial Statements.

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Southern Coos Health District (the District), a municipal corporation, was organized under Oregon Revised Statutes (ORS) 440.305 through 440.410 to provide various health care and health care-related services to the citizens of its district. The District operates Southern Coos Hospital and Health Center (the Hospital). The District serves a very large, predominantly rural, nonmetropolitan geographic area in coastal Coos County, Oregon, inclusive of the cities of Bandon and Langlois and their surrounding areas. An elected five-member board governs the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by the GASB, there are no potential component units of the District, other than the Foundation.

Blended Component Units

These financial statements present the District and the following blended component units:

- The *Hospital Fund* – Accounts for all general operating revenues and expenditures of the Hospital. The major sources of revenue are from charges for patient services and ad-valorem taxes, and the major source of expenses is for personal services.

- *Southern Coos Health Foundation* – The Southern Coos Health Foundation is a 501(c)(3) nonprofit corporation. Due to the oversight the District has over the selection of Foundation Board Members, the Foundation will continue to be with the District in accordance with GASB No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB No. 61, *The Financial Reporting Entity: Omnibus*.

Standards of Accounting and Financial Reporting

The accompanying financial statements of the District have been presented in conformity with generally accepted accounting principles in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Enterprise Fund Accounting

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

Budgets

The District is required to prepare and adopt an annual operating budget in accordance with the state of Oregon (Oregon) Health District Law.

Cash and Cash Equivalents

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost, which approximates market value.

Assets Limited as to Use

Periodically, the board of directors sets aside cash resources for the funding of future capital improvements and programs. As of June 30, 2025 and 2024, these cash resources were $2,605,867 and $2,594,418, respectively. In addition, certain funds are restricted by bond indentures and promissory notes to be used solely for debt service. As of June 30, 2025 and 2024, funds restricted by bond indentures and promissory notes were $3,419,943 and $233,705, respectively.

Patient Accounts Receivable, Net

Patient accounts receivable are reported net of estimated uncollectible amounts and contractual adjustments. The District manages receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts, based on experience and other circumstances, which may affect the ability of patients to meet their obligations. The District determines past due accounts based upon contract terms. Management does not believe there are any credit risks associated with receivables from governmental agencies. Private and other receivables consist of receivables from a large number of payors involved in diverse activities and subject to differing economic conditions, which do not represent any concentrated credit risks to the District.

Supplies Inventories

Supplies inventories, comprised primarily of medical and surgical inventories, are stated at lower of cost (first-in, first-out) or net realizable value.

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Expenditures for maintenance and repairs are charged to operations as incurred. Betterments and major renewals with an estimated useful life of three years or greater and a cost of over $5,000 are capitalized.

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method, which best reflects the diminished service utility of the capital asset.

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	8 to 25 Years
Buildings	10 to 30 Years
Major Moveable Equipment	3 to 20 Years

Leases

The District is a lessee for noncancellable leases of buildings and equipment. The District recognizes a lease liability and property and equipment in the financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The District monitors changes in circumstances that would require a remeasurement of their lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-Based Information Technology Arrangements (SBITA)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Compensated Absences

The liability for compensated absences reported in the financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Net Position

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

Net Patient Service Revenue

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. The District's provisions for bad debts and write offs have not changed significantly from prior years. The District has not changed its charity care or uninsured discount policies during the years ended June 30, 2025 or 2024. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write offs from third-party payors.

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Resources

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

Grants and Contributions

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

Advertising Costs

The District expenses advertising costs as incurred.

Income Taxes

The District is a municipal corporation under Oregon state law and is not subject to Federal income taxes.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Adoption of New Accounting Standards

Effective July 1, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The District determined the Standard did not have a material impact on the financial statements.

Subsequent Events

The District has evaluated subsequent events through December 18, 2025, the date on which the financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS

The District is required by Oregon Revised Statutes (ORS) Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain "qualified" financial institutions. As of and for the years ended June 30, 2025 and 2024, all of the District'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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The OST can require pledged collateral to be 10% to 110% 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.

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

	2025			
		Investment Maturities in Years		
	Fair Value	Less Than 1	1-5	Over 5
Investment in Local Government Investment Pool	$ 6,764,339	$ 6,764,339	$ -	$ -
Certificate of Deposit	3,186,238	-	3,186,238	-
Short-Term Money Market	105,867	105,867	-	-
Total	$ 10,056,444	$ 6,870,206	$ 3,186,238	$ -

	2024			
		Investment Maturities in Years		
	Fair Value	Less Than 1	1-5	Over 5
Investment in Local Government Investment Pool	$ 6,854,828	$ 6,854,828	$ -	$ -
Certificate of Deposit	3,510,375	-	3,510,375	-
Short-Term Money Market	94,418	94,418	-	-
Total	$ 10,459,621	$ 6,949,246	$ 3,510,375	$ -

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

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

The District has the following recurring fair value measurements as of June 30, 2025:

- Certificates of deposit of $3,186,238 are valued using observable inputs (Level 2).

The District had the following recurring fair value measurements as of June 30, 2024:

- Certificates of deposit of $3,510,375 are valued using observable inputs (Level 2).

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Local Government Investment Pool

The investment in the Local Government Investment Pool (LGIP) is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council, with advice from the Treasurer and Oregon Short-Term Fund Board, adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2025, 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.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Restricted Investments

Restricted investments as of June 30, 2025 and 2024, were held by a trustee for the USDA debt reserve and as collateral for a promissory note. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as interest income.

NOTE 3 PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets by the District consisted of these amounts at June 30:

	2025	2024
Receivables from Patients and their Insurance Carriers	$ 2,411,049	$ 1,929,250
Receivable from Medicare	4,743,504	3,810,505
Receivable from Medicaid	1,140,609	1,488,934
Total Patient Accounts Receivable	8,295,162	7,228,689
Less: Allowance for Uncollectible Amounts	(4,580,214)	(3,320,865)
Patient Accounts Receivable, Net	$ 3,714,948	$ 3,907,824

NOTE 4 PROPERTY TAXES

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

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

NOTE 5 CAPITAL ASSETS

Capital asset activity was as follows at June 30:

	Balance June 30, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
CAPITAL ASSETS AT COST					
Land	$ 461,527	$ -	$ -	$ -	$ 461,527
Construction in Progress	721,183	2,821,631	-	(3,453,343)	89,471
Total Nondepreciable	1,182,710	2,821,631	-	(3,453,343)	550,998
Land Improvements	1,499,517	-	-	53,115	1,552,632
Buildings	6,544,753	706,484	(67,624)	654,942	7,838,555
Major Movable Equipment	9,452,137	-	(841,087)	2,745,286	11,356,336
Total Depreciable	17,496,407	706,484	(908,711)	3,453,343	20,747,523
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION FOR:					
Land Improvements	(1,167,037)	(71,368)	-	-	(1,238,405)
Buildings	(5,030,387)	(200,830)	67,624	-	(5,163,593)
Major Movable Equipment	(7,385,553)	(1,345,931)	841,087	-	(7,890,397)
Total Accumulated Depreciation	(13,582,977)	(1,618,129)	908,711	-	(14,292,395)
Total Capital Assets, Net	$ 5,096,140	$ 1,909,986	$ -	$ -	$ 7,006,126

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
CAPITAL ASSETS AT COST					
Land	$ 461,527	$ -	$ -	$ -	$ 461,527
Construction in Progress	28,377	692,806	-	-	721,183
Total Nondepreciable	489,904	692,806	-	-	1,182,710
Land Improvements	1,499,517	-	-	-	1,499,517
Buildings	6,539,518	5,235	-	-	6,544,753
Major Movable Equipment	9,108,776	346,113	(2,752)	-	9,452,137
Total Depreciable	17,147,811	351,348	(2,752)	-	17,496,407
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION FOR:					
Land Improvements	(1,112,283)	(54,754)	-	-	(1,167,037)
Buildings	(4,756,483)	(273,904)	-	-	(5,030,387)
Major Movable Equipment	(6,927,775)	(457,778)	-	-	(7,385,553)
Total Accumulated Depreciation	(12,796,541)	(786,436)	-	-	(13,582,977)
Total Capital Assets, Net	$ 4,841,174	$ 257,718	$ (2,752)	$ -	$ 5,096,140

Construction in progress as of June 30, 2025 includes costs incurred in connection with various capital projects to be completed in fiscal year 2026. One of the projects is being partially funded by a grant with the remainder of that project and the other projects being funded by cash.

Depreciation expense for the years ended June 30, 2025 and 2024 was $1,618,129 and $786,436, respectively.

NOTE 6 LEASES AND SBITAS

A summary of lease and Subscription-based information technology arrangement (SBITA) activity was as follows at June 30:

	Balance June 30, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Leased Assets	$ 2,773,410	$ 518,775	$ (664,967)	$ -	$ 2,627,218
Less: Accumulated Amortization	(1,512,006)	(542,414)	664,967	-	(1,389,453)
Total Leased Assets, Net	1,261,404	(23,639)	-	-	1,237,765
SBITA Assets	196,271	-	(196,271)	-	-
Less: Accumulated Amortization	(129,864)	(66,407)	196,271	-	-
Total SBITA Assets	66,407	(66,407)	-	-	-
Total Leased and SBITA Assets, Net	$ 1,327,811	$ (90,046)	$ -	$ -	$ 1,237,765

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Leased Assets	$ 2,773,410	$ -	$ -	$ -	$ 2,773,410
Less: Accumulated Amortization	(1,063,267)	(448,739)	-	-	(1,512,006)
Total Leased Assets, Net	1,710,143	(448,739)	-	-	1,261,404
SBITA Assets	196,271	-	-	-	196,271
Less: Accumulated Amortization	(69,696)	(60,168)	-	-	(129,864)
Total SBITA Assets	126,575	(60,168)	-	-	66,407
Total Leased and SBITA Assets, Net	$ 1,836,718	$ (508,907)	$ -	$ -	$ 1,327,811

NOTE 7 LONG-TERM DEBT

A schedule of changes in the District's long-term debt follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Long-Term Debt:					
Revenue Bonds	$ 2,734,518	$ -	$ (110,652)	$ 2,623,866	$ 115,632
Certificates of Participation - 2014A	425,000	-	(80,000)	345,000	80,000
Certificates of Participation - 2015A	480,000	-	(70,000)	410,000	75,000
Real Estate Loan	-	400,000	(200,000)	200,000	200,000
Promissory Note	-	3,139,376	-	3,139,376	627,875
Total Liabilities	$ 3,639,518	$ 3,539,376	$ (460,652)	$ 6,718,242	$ 1,098,507

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Long-Term Debt:					
Revenue Bonds	$ 2,844,769	$ -	$ (110,251)	$ 2,734,518	$ 110,652
Certificates of Participation - 2014A	500,000	-	(75,000)	425,000	80,000
Certificates of Participation - 2015A	550,000	-	(70,000)	480,000	70,000
Total Liabilities	$ 3,894,769	$ -	$ (255,251)	$ 3,639,518	$ 260,652

NOTE 7 LONG-TERM DEBT (CONTINUED)

The revenue bonds are issued through United States Department of Agriculture, Rural Development, and will be retired in October 2041 by annual payments, including interest at 4.5% per annum. The District is required to reserve $23,370 annually if it has operating revenues. The reserve is completed when the District accumulates $233,705, which will be used to fund the final bond payment. The District has reserved $233,705 as of June 30, 2025 and 2024.

The certificates of participation series 2014A will be retired in July 2029 by minimum variable annual principal payments starting at $60,000 and increasing to $90,000 by 2029, together with semi-annual interest payments at an interest rate ranging from 1.3% to 4.0% per annum. Payments began July 1, 2016.

The certificates of participation series 2015A will be retired in July 2030 by minimum variable annual principal payments starting at $60,000 and increasing to $90,000 by 2030, together with semi-annual interest payments at an interest rate ranging from 1.0% to 4.2% per annum. Payments began January 1, 2017.

All of the above debt is collateralized by unobligated net revenues and real property of the District.

The $200,000 real estate loan will be retired in February 2026 by monthly principal and interest payments of $25,729.

The $3,139,376 promissory note will be retired in April 2030. The promissory note accrues interest at 6% with interest payments due monthly. When the promissory note was entered into the District was required to the certificate of deposit as collateral. The District is required to make five annual principal payments on the promissory note. As part of the promissory note the District is required to maintain a debt service coverage ratios of 1.25 to 1.0. Management is not aware of any noncompliance with the financial covenant.

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

	Revenue Bonds		Certificate of Participation		Certificate of Participation		Real Estate Loan		Promissory Note		Total Long-Term Debt	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 115,632	$ 118,074	$ 80,000	$ 12,080	$ 75,000	$ 14,888	$ 200,000	$ 5,714	$ 627,875	$ 166,387	$1,098,507	$ 317,143
2026	120,835	112,871	85,000	8,900	80,000	11,960	-	-	627,875	128,714	913,710	262,445
2027	126,273	107,433	90,000	5,400	80,000	8,820	-	-	627,875	91,042	924,148	212,695
2028	131,955	101,751	90,000	1,800	85,000	5,478	-	-	627,875	53,369	934,830	162,398
2029	137,893	95,813	-	-	90,000	1,868	-	-	627,876	31,394	855,769	129,075
2030-2034	788,318	380,210	-	-	-	-	-	-	-	-	788,318	380,210
2035-2039	982,387	186,139	-	-	-	-	-	-	-	-	982,387	186,139
2040-2041	220,573	9,926	-	-	-	-	-	-	-	-	220,573	9,926
Total	$ 2,623,866	$1,112,217	$ 345,000	$ 28,180	$ 410,000	$ 43,014	$ 200,000	$ 5,714	$3,139,376	$ 470,906	$6,718,242	$1,660,031

NOTE 8 LEASE AND SBITA LIABILITIES

A schedule of changes in the District's lease and SBITA liabilities follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Lease Liabilities	$ 1,368,006	$ 518,775	$ (580,678)	$ 1,306,103	$ 456,838
SBITA Liabilities	39,978	-	(39,978)	-	-
Total	$ 1,407,984	$ 518,775	$ (620,656)	$ 1,306,103	$ 456,838

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Lease Liabilities	$ 1,763,695	$ -	$ (395,689)	$ 1,368,006	$ 472,393
SBITA Liabilities	87,217	-	(47,239)	39,978	39,978
Total	$ 1,850,912	$ -	$ (442,928)	$ 1,407,984	$ 512,371

Lease Liabilities

The District leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through March 2034 and provide for varying renewal options. Interest rates on the finance lease obligations range from 4.16 to 8.0%.

SBITA Liabilities

The District has entered into a subscription-based information technology arrangement (SBITA). The SBITA expired in fiscal year 2025. The interest rates on the SBITA was 8.0%.

As of June 30, 2025, future scheduled principal and interest payments for leases and SBITAs were as follows:

	Lease Liabilities	
Year	Principal	Interest
2026	$ 456,838	$ 68,131
2027	411,383	37,273
2028	148,225	17,158
2029	50,938	11,834
2030	53,188	9,584
2031-2035	185,531	14,238
Total	$ 1,306,103	$ 122,562

NOTE 9 NET PATIENT SERVICE REVENUE

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 at June 30:

	2025	2024
Medicare	$ 21,663,567	$ 19,663,891
Medicaid	6,638,835	5,391,712
Other Third-Party Payors	5,940,010	6,343,191
Self-Pay	698,825	317,160
Total	34,941,237	31,715,954
Less: Charity Care	(457,332)	(363,329)
Less: Provision for Bad Debts	(65,491)	77,451
Net Patient Service Revenue	$ 34,418,414	$ 31,430,076

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

Medicare

The District has elected the Critical Access Hospital (CAH) designation. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2019. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid

For patients covered by Medicaid managed care insurance, inpatient and outpatient services are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. For all other Medicaid patients, the District is reimbursed at cost for most hospital and physician services, with final settlement determined after submission of annual cost reports by the District and review thereof by the Oregon Health Authority. The Oregon Health Authority's administrative procedures preclude final determination of amounts due to the District for such services until after the District's annual cost report is audited or otherwise reviewed or settled upon by Oregon Health Authority. The fee for Service Medicaid transitioned to a prospective payment program in January 2024, however the change did not have a material impact on the District's patient service revenue.

NOTE 9 NET PATIENT SERVICE REVENUE (CONTINUED)

Other

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

Uninsured

The District provides healthcare services to patients who have not purchased commercial healthcare insurance coverage and do not qualify as beneficiaries of the Medicare and Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the District's charity care policy.

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.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2025 and 2024, were approximately $313,000 and $249,000, respectively.

NOTE 10 RETIREMENT AND DEFERRED COMPENSATION PLANS

The District maintains a tax-sheltered annuity plan (the 403(b) Plan) under Section 403(b) and the related paragraphs of the Internal Revenue Code (IRC) that covers all employees. Under the 403(b) Plan, employees are generally immediately eligible to participate and can contribute the maximum allowable under current Internal Revenue Service (IRS) regulations. The 403(b) plan allows for Roth contributions subject to IRS limits. For the years ended June 30, 2025 and 2024, the employee contributions to the 403(b) Plan were $529,237 and $489,779, respectively. Employer contributions are not permitted under this plan.

The District has a contract with The Variable Annuity Life Insurance Company to establish a qualified tax deferred annuity retirement plan (the 401(a) Plan) under Section 401(a) and related paragraphs of the Internal Revenue Code. Under the 401(a) Plan, employees are generally eligible to participate upon completion of one year of service and reaching 18 years of age. The District makes discretionary matching contributions based upon employee contributions to the 403(b) Plan with a maximum match of 5% of the employee's eligible compensation.

NOTE 10 RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Employees must meet minimum service hours to be eligible for the match. Employees are immediately vested. For the years ended June 30, 2025 and 2024, the District contributions to the 401(a) Plan were $394,649 and $334,279, respectively. Employee contributions are not permitted under this plan.

The District also maintains a deferred compensation plan under Section 457(b) of the Internal Revenue Code (the 457(b) Plan). Under the 457(b) Plan, all employees are eligible to participate, and the plan allows for Roth contributions subject to IRS limits. For the years ended June 30, 2025 and 2024, the employee contributions to the 457(b) Plan were $103,054 and $33,214, respectively. Employer contributions are not permitted under this plan.

The board of directors is solely responsible for changes and modifications to any of the plans.

NOTE 11 RISK MANAGEMENT AND CONTINGENCIES

Risk Management

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

Medical Malpractice Claims

The District maintains primary and umbrella general and professional liability insurance coverage through “claims made” type policies. Current coverage is for $2,000,000 per claim with a $6,000,000 annual aggregate limit. The coverage has no deductible. Should the “claims made” policies not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination may be uninsured. The District records estimated liabilities for reported claims as well as an estimated tail liability for claims that have been incurred but not reported. These amounts were not significant to the financial statements for the years ended June 30, 2025 and 2024.

Industry Regulations

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

NOTE 11 RISK MANAGEMENT AND CONTINGENCIES (CONTINUED)

Industry Regulations (Continued)

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.

SUPPLEMENTAL INFORMATION

SOUTHERN COOS HEALTH DISTRICT
SCHEDULE OF RESOURCES AND EXPENDITURES
BUDGET VS. ACTUAL (NON-GAAP BUDGETARY BASIS)
JUNE 30, 2025

	Budget	Actual	Variance
OPERATING REVENUES			
Net Patient Service Revenue	$ 37,080,889	$ 34,418,414	$ (2,662,475)
Other Operating Revenue	1,218,517	109,151	(1,109,366)
Total Operating Revenues	38,299,406	34,527,565	(3,771,841)
OPERATING EXPENSES			
Salaries and Benefits	23,062,189	20,751,199	2,310,990
Other Operating Expenses	13,581,667	14,586,423	(1,004,756)
Depreciation and Amortization	2,007,608	2,226,950	(219,342)
Total Operating Expenses	38,651,464	37,564,572	1,086,892
OPERATING INCOME (LOSS)	(352,058)	(3,037,007)	(2,684,949)
NONOPERATING REVENUE (EXPENSES)			
Interest	(565,497)	(465,406)	100,091
Other Revenues and Expenses, Net	1,876,723	2,038,729	162,006
Total Nonoperating Revenue, Net	1,311,226	1,573,323	262,097
CHANGE IN NET POSITION	$ 959,168	$ (1,463,684)	$ (2,422,852)

SOUTHERN COOS HEALTH DISTRICT
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2025

	Southern Coos Health District	Southern Coos Health Foundation	Eliminating Entries	Combined Total
CURRENT ASSETS				
Cash and Cash Equivalents	$ 5,797,142	$ 157,975	$ -	$ 5,955,117
Receivables:				
Patient Accounts, Net	3,714,948	-	-	3,714,948
Property Taxes	83,955	-	-	83,955
Other	29,982	-	-	29,982
Supplies Inventories	346,066	7,865	-	353,931
Assets Limited as to Use, Current Portion	2,500,000	105,867	-	2,605,867
Prepaid Expenses	290,681	-	-	290,681
Total Current Assets	12,762,774	271,707	-	13,034,481
ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION	3,419,943	-	-	3,419,943
CAPITAL ASSETS				
Land	461,527	-	-	461,527
Construction in Process	89,471	-	-	89,471
Depreciable Capital Assets, Net of Accumulated Depreciation	6,455,128	-	-	6,455,128
Leased and SBITA Assets, Net of Accumulated Amortization	1,237,765	-	-	1,237,765
Total Capital Assets, Net	8,243,891	-	-	8,243,891
Total Assets	$ 24,426,608	$ 271,707	$ -	$ 24,698,315
CURRENT LIABILITIES				
Accounts Payable	$ 1,490,729	$ 34,425	$ -	$ 1,525,154
Accrued Salaries and Employee Benefits	923,322	-	-	923,322
Accrued Vacation	817,741	-	-	817,741
Accrued Interest	117,956	-	-	117,956
Estimated Third-Party Payor Settlement	534,782	-	-	534,782
Unearned Revenue	150,524	-	-	150,524
Current Maturities of Long-Term Debt	1,098,507	-	-	1,098,507
Current Maturities of Lease and SBITA Liabilities	456,838	-	-	456,838
Total Current Liabilities	5,590,399	34,425	-	5,624,824
LONG-TERM DEBT, NET OF CURRENT MATURITIES	5,619,735	-	-	5,619,735
LEASE AND SBITA LIABILITIES, NET OF CURRENT MATURITIES	849,265	-	-	849,265
Total Liabilities	12,059,399	34,425	-	12,093,824
NET POSITION				
Net Investment in Capital Assets	219,546	-	-	219,546
Restricted – Expendable for Debt Service	3,419,943	-	-	3,419,943
Unrestricted	8,727,720	237,282	-	8,965,002
Total Net Position	12,367,209	237,282	-	12,604,491
Total Liabilities and Net Position	$ 24,426,608	$ 271,707	$ -	$ 24,698,315

SOUTHERN COOS HEALTH DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Southern Coos Health District	Southern Coos Health Foundation	Eliminating Entries	Combined Total
OPERATING REVENUES				
Net Patient Service Revenue	$ 34,418,414	$ -	$ -	$ 34,418,414
Other Operating Revenues	109,151	-	-	109,151
Total Operating Revenues	34,527,565	-	-	34,527,565
OPERATING EXPENSES				
Salaries and Benefits	20,751,199	-	-	20,751,199
Medical Supplies and Drugs	2,444,454	-	-	2,444,454
Insurance	290,435	-	-	290,435
Other Operating Expenses	11,641,486	381,048	(171,000)	11,851,534
Depreciation and Amortization	2,226,950	-	-	2,226,950
Total Operating Expenses	37,354,524	381,048	(171,000)	37,564,572
OPERATING LOSS	(2,826,959)	(381,048)	171,000	(3,037,007)
NONOPERATING REVENUES (EXPENSES)				
Property Taxes	1,172,488	-	-	1,172,488
Investment Income	506,552	13,723	-	520,275
Interest Expense	(465,406)	-	-	(465,406)
Noncapital Grants and Donations	99,615	299,978	(171,000)	228,593
Other	55,256	62,117	-	117,373
Total Nonoperating Revenues	1,368,505	375,818	(171,000)	1,573,323
CHANGE IN NET POSITION	(1,458,454)	(5,230)	-	(1,463,684)
Net Position - Beginning of Year	13,825,663	242,512	-	14,068,175
NET POSITION - END OF YEAR	$ 12,367,209	$ 237,282	$ -	$ 12,604,491

ADDITIONAL REQUIRED REPORTS

SOUTHERN COOS HEALTH DISTRICT
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY OREGON STATE REGULATIONS
YEAR ENDED JUNE 30, 2025

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

REPORT OF INDEPENDENT AUDITORS REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Southern Coos Health District
Bandon, Oregon

We have audited the basic financial statements of Southern Coos Health District (the District) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 18, 2025. 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.

Report on Compliance

As part of obtaining reasonable assurance about whether the District's financial statements as of and for the year ended June 30, 2025, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

Report on OAR 162-010-0230 Internal Control

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

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

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

Restriction on Use

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

CliftonLarsonAllen LLP

Bellevue, Washington
December 18, 2025

REPORT OF INDEPENDENT AUDITORS 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
Southern Coos Health District
Bandon, 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 Southern Coos Health District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 18, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Bellevue, Washington
December 18, 2025

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Southern Coos Health District
Bandon, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southern Coos Health District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

Report on Internal Control Over Compliance

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

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

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

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

CliftonLarsonAllen LLP

Bellevue, Washington
December 18, 2025

SOUTHERN COOS HEALTH DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture Direct Programs				
Community Facilities Loans and Grants	10.766			$ 2,734,518
Total U.S. Department of Agriculture				2,734,518
Total Expenditures of Federal Awards				$ 2,734,518

SOUTHERN COOS HEALTH DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

NOTE 1 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southern Coos Health District (the District) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 DIRECT LOAN

Nonmonetary assistance in the form of a direct loan is included in the accompanying Schedule. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The related loan balance was $2,623,866 at June 30, 2025.

SOUTHERN COOS HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	____X____ no	
Significant deficiency(ies) identified?	_____ yes	____X____ no	ne reported
Noncompliance material to financial statements noted?	_____ yes	____X____ no	

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	_____ yes	____X____ no	
Significant deficiency(ies) identified?	_____ yes	____X____ no	ne reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	____X____ no	

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000		
Auditee qualified as low-risk auditee?	_____ yes	____X____ no	

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Attachment K

Exhibit 1.f.vi

HCMO-1c: Facilities and Location Form

Health Care Market Oversight (HCMO) Program
HCMO-1c: Facilities and Locations Form

List all health care facilities and locations associated with parties to the proposed material change transaction that currently operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

For each location, include the location or facility name, street address, services provided at the location, and service area zip codes. Service area refers to the smallest number of zip codes from which the location or facility draws at least 75% of its patients, based on home zip codes of patients. Add rows as needed for additional locations.

Locations associated with Party A

Entity Name: Southern Coos Health District

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
Southern Coos Hospital & Health Center	900 11th Street S.E., Bandon, Oregon 97411	Hospital services (inpatient services, outpatient services, emergency services, swing bed services, surgical services, laboratory services, imaging services, pharmacy services, respiratory therapy, and other services)	97411, 97465, 97420
Southern Coos Primary Care Clinic	900 11th Street S.E., Bandon, Oregon 97411	Primary care services, behavioral health services, pain management services, wound care services, infusion services, retail pharmacy services, and other services	97411, 97465, 97420