



Financial Statements  
June 30, 2019 and 2018

# Harney County Health District

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Directory of Officials

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Elected

Board of Directors:

Sharon Davis, Board Chair  
Kaeko Blackburn, Board Treasurer  
Ann Vloedman, Board Secretary  
Dan Brown  
Susan Doverspike  
Shana Whithee  
Rob Frank

Appointed

Administrator:

Dan Grigg, CEO

Mailing Address

District:

Harney District Hospital  
557 W. Washington  
Burns, OR 97720



## Independent Auditor's Report

The Board of Directors  
Harney County Health District  
Burns, Oregon

### Report on the Financial Statements

We have audited the accompanying statements of net position of Harney County Health District (the District) and a discretely presented component unit, as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harney County Health District and its discretely presented component unit as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability (asset), and schedule of employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Directory of Officials, Schedules of Resources and Expenditures – Budget vs. Actual, Schedule of Property Tax Transactions and Outstanding Balances, Statements of Net Position – Combining, and Statements of Revenues, Expenses and Changes in Net Position – Combining (supplementary information) are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2019 on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

**Other Reporting Required by Regulatory Requirements**

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated October 31, 2019 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.



For Eide Bailly LLP  
Boise, Idaho  
October 31, 2019



# Harney District Hospital

557 W. WASHINGTON • BURNS, OR 97720 • 541-573-7281 • [www.harneydh.com](http://www.harneydh.com)

## Management's Discussion and Analysis Fiscal years ending June 30, 2019 and 2018

Management of Harney County Health District (Health District or District) provides this Management's Discussion and Analysis of the annual financial statements. This narrative and overview is for the fiscal years ending June 30, 2019 and 2018. Please consider this information in conjunction with the District's financial statements, which follow this section.

### Using This Financial Report

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

The District uses three independently balanced funds to account for all operations. The Operating Fund accounts for the operation of the Hospital and Family Care Clinic. This fund has almost all of the activity and most of the resources of Harney County Health District. The Medical Office Building Fund accounts for the operation of the Hotchkiss Building which houses the Family Care Clinic and HDH Physical Therapy. The Capital Trust Fund accounts for the funds given to the hospital by the Hotchkiss Trust. This trust is not owned by the Health District and is managed by US Bank. The earnings from the trust are used to assist in paying down the mortgage on the Medical Office Building. The results of these three funds are combined to create the financial statements of the Health District.

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

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

#### Fiscal Year 2019 Accomplishments

After having completed the implementation of a new electronic health record system at the end of the prior fiscal year, the District spent fiscal year 2019 focused on reducing accounts receivable from 83.1 days to 62.6 days. Cash on hand increased from 83.2 days at the beginning of the fiscal year to 119.7 days at the end of the year helping to strengthen the financial outlook for the District.

The District added some new services during the fiscal year. As of December 2018, the community now has a dermatology presence. Dr. Oliver Wisco provides comprehensive skin care for patients of all ages, has advanced training in Mohs surgery, and cares for patients with melanoma one to two days per month.

Also in December 2018, the District hired two full-time general surgeons, Dr. Trung Nguyen and Dr. Harry Reynolds, to lead the general surgery program that had for many years been covered by a group of several surgeons through contract agencies. With two providers, the treatment of the patients from referral to post-operative care has become a more fluid process.

In January, Dr. Patricia McNamara, an OBGYN was hired part-time to treat patients at the Family Care Clinic as well as provide some gynecological surgical services and obstetrics coverage for the District. Her practice grew quickly as there was a great need in the community for OBGYN services.

Finally, in June 2019, an Advanced Practice Nurse, Brad Mangum, was brought in to establish and build an orthopedics program in partnership with The Center in Bend. The addition of Brad has allowed for patients to be seen more quickly by a provider specializing in orthopedics.

Fiscal Year 2019 Financial Analysis

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 14,424,046	\$ 12,757,574	\$ 11,803,915
Capital assets	<u>10,466,619</u>	<u>11,383,268</u>	<u>12,486,536</u>
Total assets	<u>24,890,665</u>	<u>24,140,842</u>	<u>24,290,451</u>
Deferred outflow of resources	<u>5,628,941</u>	<u>4,946,584</u>	<u>7,460,011</u>
Current liabilities	2,757,726	2,470,370	3,004,176
Long-term liabilities	<u>28,199,057</u>	<u>27,132,585</u>	<u>28,843,664</u>
Total liabilities	<u>30,956,783</u>	<u>29,602,955</u>	<u>31,847,840</u>
Deferred inflow of resources	<u>1,186,332</u>	<u>752,671</u>	<u>763,404</u>
Invested in capital assets, net of related debt	(3,991,780)	(3,649,599)	(3,582,074)
Restricted			
Expendable for programs	127	11,427	12,670
Expendable for debt service	484,629	484,629	484,629
Unrestricted			
Board designated for capital improvement	2,848	2,776	136,683
Unrestricted	<u>1,880,667</u>	<u>1,882,567</u>	<u>2,087,310</u>
Total net position	<u>\$ (1,623,509)</u>	<u>\$ (1,268,200)</u>	<u>\$ (860,782)</u>

**Assets:** Total assets increased by \$749,823 from the prior year. Net accounts receivable decreased by \$1,147,814 and total cash increased by \$2,696,354 from prior year. Capital assets decreased \$916,649 and the current year's depreciation was \$ 1,419,690 which is a non-cash accounting expense. Capital assets purchased during the fiscal year included surgical laparoscopy equipment, fetal heart monitors, three new defibrillators, PACU monitors, a new roof on the clinic building, a CT injector and some laboratory equipment to support the dermatology program.

For 2018, total assets decreased by \$149,609 from the prior year. Total cash decreased by \$1,480,371 from prior year due in part to the time it took to get patient accounts billed out of Epic. Capital assets decreased \$1,103,268 and the current year's depreciation was \$1,488,978 which is a non-cash accounting expense. Capital assets purchased during the year include cardiac and telemetry monitors, IV pumps, two anesthesia machines, an MRI flex coil, and a hematology analyzer for the laboratory.

**Liabilities:** Total liabilities increased by \$1,353,828. The increase in liabilities was caused by the District's portion of the net pension liability from its participation in Oregon PERS increasing by \$1,661,093. Long-term debt decreased by \$503,953.

For 2018, total liabilities decreased by \$2,244,885. The District's portion of the net pension liability from its participation in Oregon PERS decreased by \$902,764. Short and long-term debt decreased by \$582,756 and capital lease liabilities decreased by \$452,987.

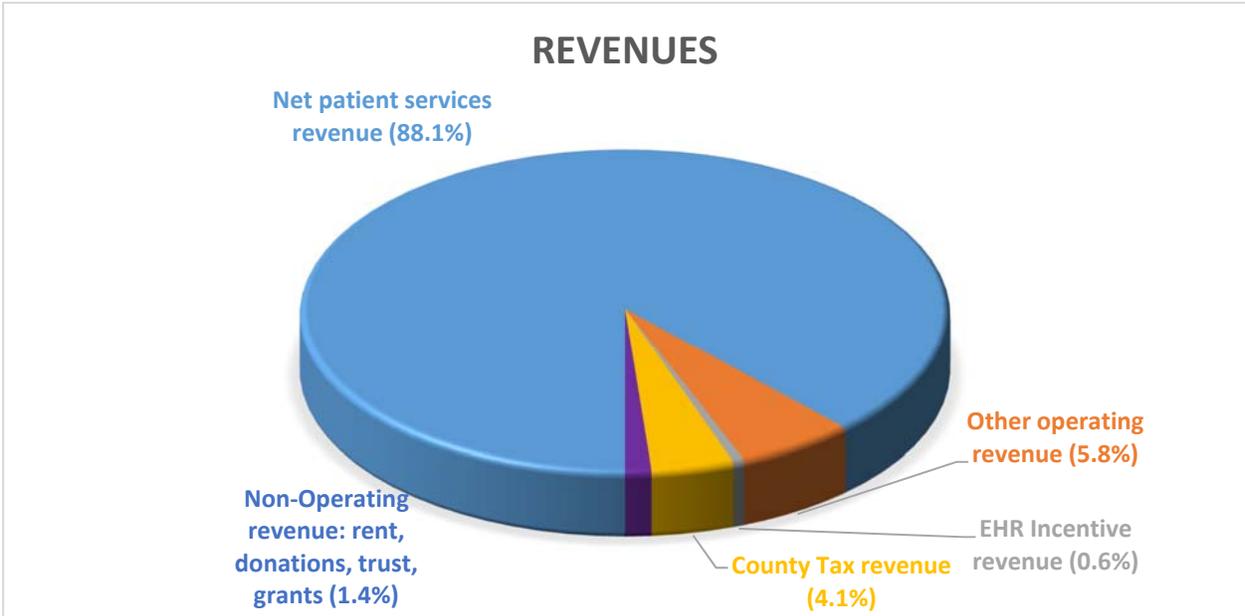
**Net Position:** The District ended the year with an Operating Fund Balance of (\$491,546) and a Medical Office Fund balance of (\$1,131,963) for a net fund balance of (\$1,623,509). The Operating Fund negative fund balance is primarily due to the District's PERS Pension deficit. The expense for PERS pension this fiscal year was \$1,573,187. The large negative fund balance for the Medical Office Building (MOB) is due to depreciation (non-cash expense) and interest expense on MOB debt. The Capital Trust Fund does not have a fund balance because all earnings are transferred to the MOB Fund which covers the interest expense cost for the MOB loans.

For 2018, the District ended the year with an Operating Fund Balance of (\$213,536) and a Medical Office Fund balance of (\$1,054,664) for a net fund balance of (\$1,268,200). The Operating Fund negative fund balance is primarily due to the District's PERS Pension deficit. The expense for PERS pension this fiscal year was \$1,593,457. The large negative fund balance for the Medical Office Building (MOB) is due to depreciation (noncash expense) and interest expense on MOB debt. The Capital Trust Fund does not have a fund balance because all earnings are transferred to the MOB Fund which covered 50% of MOB expenses for the year.

Harney County Health District  
Management's Discussion and Analysis  
June 30, 2019 and 2018

	2019	2018	2017
Operating Revenues			
Net patient service revenues	\$ 23,414,620	\$ 22,684,653	\$ 22,049,603
Electronic health record incentive revenue	151,653	204,437	165,441
Other operating revenues	1,553,907	1,573,070	1,738,340
Total operating revenues	<u>25,120,180</u>	<u>24,462,160</u>	<u>23,953,384</u>
Operating Expenses			
Salaries and wages	12,378,299	11,143,907	10,648,289
Employee benefits	5,368,776	5,242,588	4,769,080
Purchased services and supplies	7,165,704	7,658,282	7,250,855
Depreciation and amortization	1,419,690	1,488,978	1,713,937
Total operating expenses	<u>26,332,469</u>	<u>25,533,755</u>	<u>24,382,161</u>
Operating Loss	<u>(1,212,289)</u>	<u>(1,071,595)</u>	<u>(428,777)</u>
Non-Operating Revenues (Expenses)			
Property taxes	1,089,227	1,019,310	987,861
Interest income	161,978	113,492	67,533
Gain on disposal of fixed assets	5,500	2,000	32,899
Rental income	102,944	95,252	96,758
Trust income	42,423	43,136	40,963
Non-operating grant revenue	32,795	37,577	71,918
Interest expense	(596,839)	(673,191)	(778,568)
Non-operating revenues, net	<u>838,028</u>	<u>637,576</u>	<u>519,364</u>
Excess (Deficit) of Revenue Over Expenses Before Capital Grants and Contributions	(374,261)	(434,019)	90,587
Capital Grants and Contributions	<u>18,952</u>	<u>26,601</u>	<u>22,231</u>
Change in Net Position	(355,309)	(407,418)	112,818
Net Position, Beginning of Year	<u>(1,268,200)</u>	<u>(860,782)</u>	<u>(973,600)</u>
Net Position, End of Year	<u>\$ (1,623,509)</u>	<u>\$ (1,268,200)</u>	<u>\$ (860,782)</u>

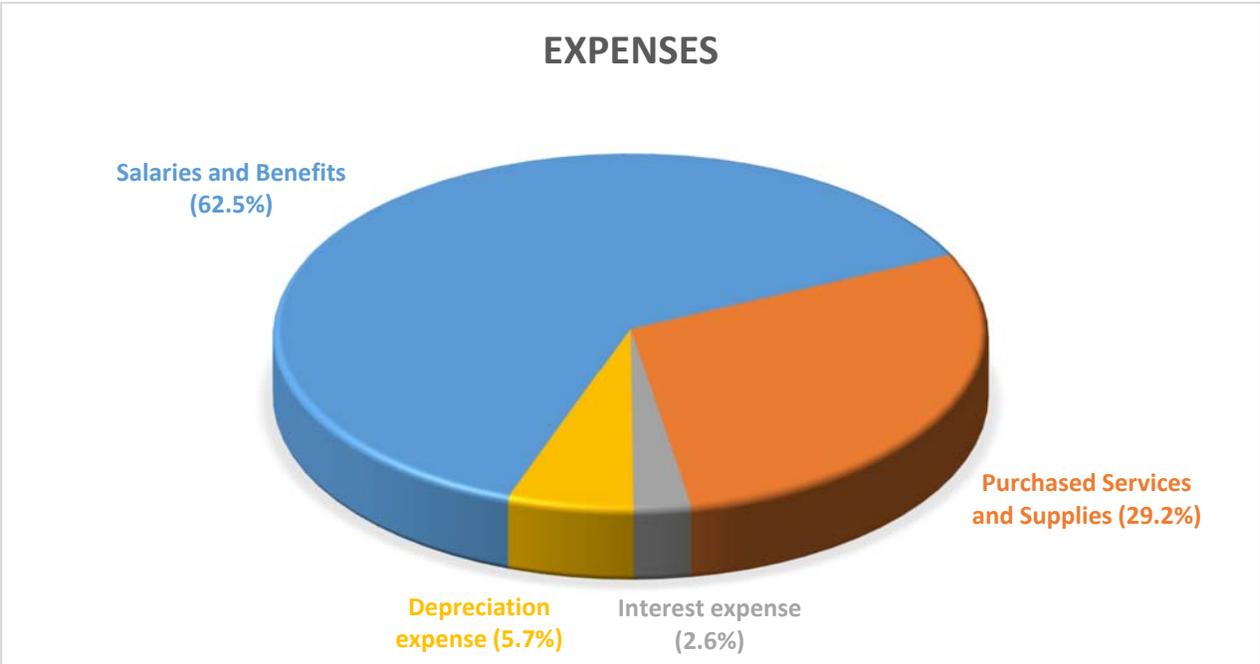
**Revenues:**



The primary source of revenues is from District operations which accounts for 94.6% of revenue consisting of \$23,414,620 in net patient revenues, \$151,653 in Medicaid Electronic Health Records Incentives, and \$1,553,907 in other operating revenues. Non-operating revenues include county property taxes of \$1,089,227 (4.1% of total revenue), rental income of \$102,944, interest income of \$161,978, grant revenues of \$18,952, and Hotchkiss Trust income of \$42,423.

For 2018, the primary source of revenues is from District operations which accounts for 94.8% of revenue consisting of \$22,684,653 in net patient revenues, \$204,437 in Medicaid Electronic Health Records Incentives, and \$1,573,070 in other operating revenues. Non-operating revenues include county property taxes of \$1,019,310 (4% of total revenue), rental income of \$95,252, interest income of \$113,492, grant revenues of \$26,601, and Hotchkiss Trust income of \$43,136.

**Expenses:**



Virtually all expenses are generated by District operations. Employee salaries and benefits account for 62.5% of all hospital expenditures totaling \$17,747,075. Purchased services and supplies accounted for \$7,165,704 and interest expense for the hospital building and equipment totaled \$596,839. Depreciation expense (a non-cash expense) totaled \$1,419,690.

For 2018, virtually all expenses are generated by District operations. Employee salaries and benefits account for 62.5% of all hospital expenditures totaling \$16,386,495. Purchased services and supplies accounted for \$7,658,282 and interest expense for the hospital building and equipment totaled \$673,191. Depreciation expense (a non-cash expense) totaled \$1,488,978.

**Management's Plans**

Management understands how important it is to have a strong, vibrant hospital in Harney County. We appreciate the support of our community and we are committed to ensuring vital health services are available in the county for many years to come. To that end, we have embraced a number of strategies that will result in changes to our delivery model and give us the greatest chance of long-term success. These include:

- Building trust and confidence by continuing working to improve quality of care through the implementation of the National Patient Safety Institute's Patient Safety Blueprint. We are completing TEAMStepps training for all our employees, an evidence-based set of teamwork tools, aimed at optimizing patient outcomes by improving communication and teamwork skills among health care professionals. The next step in our patient safety journey will be the implementation and integration of Just Culture concepts.



Harney County Health District  
Statements of Net Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,326,197	\$ 59,207
Cash equivalents in external investment pool	5,358,528	4,917,128
Receivables		
Patient, net of estimated uncollectibles of \$245,000 in 2019 and \$526,000 in 2018	4,017,851	5,165,665
Estimated third-party payor settlements	572,578	369,489
Property taxes	118,302	116,268
Other	763,843	813,014
Supplies	410,008	322,913
Prepaid expenses	282,301	394,979
Total current assets	13,849,608	12,158,663
<b>Noncurrent Cash Equivalents in External Investment Pool</b>		
Internally designated for specific operating purposes and capital improvements	2,848	2,776
Restricted for outreach programs	11,427	23,535
USDA debt reserve fund	484,629	484,629
Total noncurrent cash equivalents in external investment pool	498,904	510,940
<b>Capital Assets</b>		
Capital assets not being depreciated	110,538	138,912
Capital assets being depreciated, net	10,356,081	11,244,356
Total capital assets	10,466,619	11,383,268
<b>Other Assets</b>		
Notes receivable	75,534	87,971
Total assets	24,890,665	24,140,842
<b>Deferred Outflow of Resources</b>		
Pension	5,628,941	4,946,584
Total assets and deferred outflows of resources	\$ 30,519,606	\$ 29,087,426

Harney County Health District  
Statements of Net Position  
June 30, 2019 and 2018

	2019	2018
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Current maturities of capital leases	\$ 38,511	\$ 114,824
Current maturities of long-term debt	609,550	503,947
Accounts payable		
Trade	303,014	258,300
Estimated third-party payor settlements	122,746	100,997
Accrued expenses		
Salaries and wages	329,990	276,839
Paid time off	701,266	640,146
Interest	58,331	61,195
Employee benefit plans	419,276	375,169
Payroll taxes	175,042	138,953
Total current liabilities	2,757,726	2,470,370
<b>Long-Term Liabilities</b>		
Capital leases, less current maturities	46,139	31,204
Net pension liability	14,551,496	12,890,403
Long-term debt, less current maturities	13,601,422	14,210,978
Total long-term liabilities	28,199,057	27,132,585
Total liabilities	30,956,783	29,602,955
<b>Deferred Inflows of Resources</b>		
Electronic health record incentives	-	151,653
Refunding costs	162,777	171,914
Pension	1,023,555	429,104
Total deferred inflows of resources	1,186,332	752,671
<b>Net Position</b>		
Net investment in capital assets	(3,991,780)	(3,649,599)
Restricted		
Expendable for programs	127	11,427
Expendable for debt service	484,629	484,629
Unrestricted		
Board designated for capital improvement	2,848	2,776
Unrestricted	1,880,667	1,882,567
Total net position	(1,623,509)	(1,268,200)
	\$ 30,519,606	\$ 29,087,426

**Harney County Health District**  
**Statements of Financial Position – Discretely Presented Component Unit**  
**Harney Hospital Foundation**  
**December 31, 2018 and 2017**

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	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 34,131	\$ 193,848
Short-term investments	325,269	-
Endowment investments	98,050	100,000
	\$ 457,450	\$ 293,848
<b>Net Assets</b>		
Without donor restrictions		
Board designated for programs	\$ 340,000	\$ 180,000
Undesignated	17,450	13,848
Total net assets without donor restrictions	357,450	193,848
With donor restrictions	100,000	100,000
Total net assets	457,450	293,848
	\$ 457,450	\$ 293,848

Harney County Health District  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$2,343,079 in 2019 and \$2,001,850 in 2018	\$ 23,414,620	\$ 22,684,653
Electronic health record incentive revenue	151,653	204,437
Other revenues	1,553,907	1,573,070
Total operating revenues	25,120,180	24,462,160
Operating Expenses		
Salaries and wages	12,378,299	11,143,907
Employee benefits	5,368,776	5,242,588
Purchased services, professional fees, and supplies	7,165,704	7,658,282
Depreciation and amortization	1,419,690	1,488,978
Total operating expenses	26,332,469	25,533,755
Operating Loss	(1,212,289)	(1,071,595)
Non-Operating Revenues (Expenses)		
Property taxes	1,089,227	1,019,310
Interest income	161,978	113,492
Gain on sale of capital assets	5,500	2,000
Rental income	102,944	95,252
Trust income	42,423	43,136
Non-operating grant revenue	32,795	37,577
Interest expense	(596,839)	(673,191)
Non-operating revenues, net	838,028	637,576
Revenues in Excess of (Less Than) Expenses before Grants and Contributions	(374,261)	(434,019)
Capital Grants and Contributions		
Capital contribution revenue	18,952	26,601
Change in Net Position	(355,309)	(407,418)
Net Position, Beginning of Year	(1,268,200)	(860,782)
Net Position, End of Year	\$ (1,623,509)	\$ (1,268,200)

**Harney County Health District**  
**Statements of Activities – Discretely Presented Component Unit**  
**Harney Hospital Foundation**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
Support and revenue without donor restrictions		
Support and revenue		
Contributions	\$ 14,177	\$ 13,849
In-kind contributions	38,795	38,364
Revenues from EOCCO	160,000	160,000
Net investment gain	3,320	-
Total support and revenue	216,292	212,213
Expenses		
Contributions	13,895	-
Program and fundraising	1,564	1,007
General services and administrative	37,231	38,128
Total expenses	52,690	39,135
Change in Net Assets Without Donor Restrictions	163,602	173,078
Net Assets, Beginning of Year	293,848	120,770
Net Assets, End of Year	\$ 457,450	\$ 293,848

Harney County Health District  
Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Receipts from and on behalf of patients	\$ 24,381,094	\$ 19,993,807
Receipts from other operating revenues	1,593,941	1,579,223
Payments to and on behalf of employees	(15,979,421)	(14,596,176)
Payments to suppliers, contractors and others	(7,095,407)	(7,647,843)
Net Cash from (used for) Operating Activities	2,900,207	(670,989)
Non-Capital Financing Activities		
Receipts from taxation	1,087,193	1,014,844
Receipts from contributions	18,952	26,601
Receipts from non-operating grants	32,795	37,577
Proceeds from trust	42,423	43,136
Net Cash from Non-Capital Financing Activities	1,181,363	1,122,158
Capital and Related Financing Activities		
Purchase of capital assets	(503,041)	(385,710)
Proceeds from the sale of capital assets	5,500	2,000
Principal payments on capital lease obligations	(120,717)	(452,987)
Proceeds on issuance of capital lease	59,339	-
Proceeds on issuance of long-term debt	-	3,928,291
Principal payments on long-term debt	(503,953)	(4,511,047)
Interest paid	(599,703)	(677,317)
Net Cash used for Capital and Related Financing Activities	(1,662,575)	(2,096,770)
Investing Activities		
Receipts from rental properties	102,944	95,252
Cash received for notes receivable	12,437	(43,514)
Interest income	161,978	113,492
Net Cash from Investing Activities	277,359	165,230
Net Change in Cash and Cash Equivalents	2,696,354	(1,480,371)
Cash and Cash Equivalents, Beginning of Year	5,487,275	6,967,646
Cash and Cash Equivalents, End of Year	\$ 8,183,629	\$ 5,487,275

Harney County Health District  
Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 2,326,197	\$ 59,207
Cash equivalents in external investment pool	5,358,528	4,917,128
Noncurrent cash equivalents in external investment pool	498,904	510,940
Total cash and cash equivalents	\$ 8,183,629	\$ 5,487,275
Reconciliation of operating loss to net cash from (used for) operating activities		
Operating loss	\$ (1,212,289)	\$ (1,071,595)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation and amortization	1,419,690	1,488,978
Provision for bad debts	2,343,079	2,001,850
Pension expense	1,573,187	1,593,457
Deferred inflow of resources - electronic health records	(151,653)	(165,441)
Deferred outflow of resources - bond refunding	(9,137)	-
Changes in operating assets and liabilities		
Receivables		
Patient accounts	(1,195,265)	(4,162,556)
Other	49,171	(32,843)
Estimated third-party payor settlements	(203,089)	(219,489)
Supplies	(87,095)	95,226
Prepaid expenses	112,678	(68,238)
Accounts payable		
Trade	44,714	(16,549)
Estimated third-party payor settlements	21,749	(310,651)
Accrued expenses		
Salaries and wages	53,151	15,541
Paid time off	61,120	154,585
Employee benefit plans	44,107	28,569
Payroll taxes	36,089	(1,833)
Net Cash from (used for) Operating Activities	\$ 2,900,207	\$ (670,989)

**Note 1 - Reporting Entity and Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

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

For financial reporting purposes, the District has included all funds, organizations, account groups, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

**Discretely Presented Component Unit**

Harney Hospital Foundation (the Foundation) was established for health care purposes and to advance and assist in the development, growth, and operation of the District. Funds raised are distributed to the Burns, Oregon community primarily through the purchase of property and equipment, supplies, and support. The Foundation has a December 31 year end and the balances presented are as of December 31. The Foundation has been determined to be a component unit and is presented as a discretely presented component unit in the District's financial statements. The Organization adopted the provisions of Accounting Standards Updated (ASU) 2016-14, Presentation of Financial Statements for Not-For-Profit-Entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions).

### **Measurement Focus and Basis of Accounting**

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

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

### **Basis of Presentation**

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

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

Restricted net position:

*Restricted – expendable net position* results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. Restricted expendable net position at June 30, 2019 and 2018 for programs totaled \$127 and \$11,427, respectively. Restricted expendable net position at June 30, 2019 and 2018 for debt service totaled \$484,629 and \$484,629, respectively.

*Restricted - nonexpendable net position* is subject to externally imposed stipulations which require them to be maintained permanently by the District. The District has none at June 30, 2019 and 2018.

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

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

### **Use of Estimates**

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

### **Budgetary Information**

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

### **Cash and Cash Equivalents**

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

### **Short-Term Investments**

Short-term investments include certificates of deposit and U.S. Treasury securities with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

### **Noncurrent Cash Equivalents in External Investment Pool**

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

### **Patient Receivables**

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

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

### **Property Tax Revenue and Receivable**

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

### **Supplies**

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

### **Interest Income**

Interest is included in nonoperating revenues when earned.

### **Capital Assets**

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Buildings	10-40 years
Equipment	3-20 years

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

### **Notes Receivable**

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

At June 30, 2019 and 2018, notes receivable from physicians and employees totaled \$75,534 and \$87,971, respectively.

**Deferred Outflows of Resources**

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

**Compensated Absences**

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

**Electronic Health Record Incentive Payments**

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology.

To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period. This attestation is subject to audit by the federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare & Medicaid Services (CMS) and (2) the Medicare share. Once the initial attestation of meaningful use is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report.

The District recognizes EHR incentive payments as revenue when there is reasonable assurance that the District will comply with the conditions attached to the incentive payments. EHR incentive payments are included in other operating revenue in the accompanying financial statements. The amount of EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur.

During the year ended June 30, 2015, the District received \$827,203 in lump sum incentive payments from Medicare related to EHR. The District recorded unavailable revenue, a deferred inflow of resources, for the entire amount less current year and prior year amortizations.

The District is recognizing revenue ratably over five years. As a result, the District recognized revenue of \$151,653 and \$204,437 for the years ended June 30, 2019 and 2018, respectively, by amortizing the deferred revenue into electronic health record incentive revenue. The District has unavailable revenue, a deferred inflow of resources, related to the EHR incentive payments of \$0 remaining at June 30, 2019 and \$151,653 at June 30, 2018.

**Pensions**

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

**Deferred Inflows of Resources**

The District reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. The District will not recognize the related revenues until a future event occurs. The deferred inflows of resources reported in the financial statements are unavailable Electronic Health Record Incentive (EHR) payment revenue and deferred refunding costs. EHR incentive payments are recognized as revenue in the same manner as the straight line depreciation of the electronic health record assets. Deferred refunding costs are amortized over the shorter of the remaining life of the refunded bonds or the refunding bonds as a component of interest expense.

**Operating Revenues and Expenses**

The District's statements of revenues and expenses and changes in net position distinguish between operating and 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 revenues from property tax assessments, interest income, rental income, trust income, grants 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. Non-operating expenses consist primarily of financing costs.

**Net Patient Service Revenue**

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

**Charity Care**

The District provides care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the District does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was

approximately \$100,000 and \$191,000, for the years ended June 30, 2019 and 2018, respectively, calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to its patients.

### **Reclassifications**

Reclassifications have been made to the June 30, 2018 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

### **Note 2 - Net Patient Service Revenue**

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

**Medicare:** The District is licensed as a Critical Access Hospital (CAH). The District is reimbursed for most acute care services at cost plus one percent with final settlement determined after submission of annual cost reports by the District and are subject to audits thereof by the Medicare intermediary. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

**Medicaid:** Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the District's Medicare cost report, or rates as established by the Medicaid program. The District is reimbursed at a tentative rate with final settlement determined by the program based on the District's final Medicaid cost report. The District's final Medicaid settlements have been processed through the year ended June 30, 2017.

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

Concentration of gross revenues by major payor accounted for the following percentages of the District's patient service revenues for the years ended June 30, 2019 and 2018:

	2019	2018
Medicare	47%	43%
Medicaid	24%	18%
Commercial insurance and other third party payors	28%	37%
Patients	1%	2%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims subsequent to October 1, 2007, are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. If selected for audit, the potential exists that the District may incur a liability for a claims overpayment at a future date. The District is unable to determine if it will be audited and, if so, the extent of the liability of overpayments, if any. As the outcome of such potential reviews is unknown and cannot be reasonably estimated, it is the District's policy to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between the District and CMS.

### Note 3 - Deposits, Investments, and Investment Income

#### Summary of Carrying Amounts

The carrying amounts of deposits and the Local Government Investment Pool as of June 30, 2019 and 2018 are as follows:

	2019	2018
Carrying Amount		
Cash	\$ 2,326,197	\$ 59,207
Local Government External Investment Pool	5,857,432	5,428,068
	\$ 8,183,629	\$ 5,487,275

The carrying amounts of the District’s deposits and investments shown above are included in the statements of net position at June 30, 2019 and 2018 are as follows:

	2019	2018
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 2,326,197	\$ 59,207
Cash equivalents in external investment pool	5,358,528	4,917,128
Noncurrent board designated for capital improvement	2,848	2,776
Restricted for outreach programs	11,427	23,535
USDA debt reserve fund	484,629	484,629
Total	\$ 8,183,629	\$ 5,487,275

**Custodial Credit Risk**

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

The District’s deposits in banks at June 30, 2019 and 2018 were entirely covered by federal depository insurance or by collateral as part of the Oregon Public Funds Collateralization Program.

**External Investment Pool**

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

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

Chapter 294 of the Oregon Revised Statutes authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government debt obligations; time deposit accounts, certificates of deposit, and savings accounts in qualified public depositories; the State of Oregon local government investment pool; and certain other investments. The District’s investment policy specifies that

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

The District's investment in the LGIP are reported at fair value, as discussed in Note 1. At June 30, 2019 and 2018, the LGIP was not rated by an independent rating agency. The District's investments in LGIP at June 30, 2019 and 2018 and related maturities were as follows:

	Maturities	2019	2018
Oregon State Local Government Investment Pool	Daily	\$ 5,857,432	\$ 5,428,068

**Interest Rate Risk**

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

**Credit Risk**

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

**Note 4 - Capital Assets**

Capital asset additions, transfers, retirements and balances for year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions / Transfers	Retirements	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 110,538	\$ -	\$ -	\$ 110,538
Capital assets being depreciated				
Buildings	22,040,914	104,496	-	22,145,410
Equipment	8,954,000	426,919	(29,112)	9,351,807
Construction in process	28,374	(28,374)	-	-
Total capital assets being depreciated	<u>31,023,288</u>	<u>503,041</u>	<u>(29,112)</u>	<u>31,497,217</u>
Less Accumulated Depreciation	<u>19,750,558</u>	<u>1,419,690</u>	<u>(29,112)</u>	<u>21,141,136</u>
Capital Assets, Net	<u>\$ 11,383,268</u>	<u>\$ (916,649)</u>	<u>\$ -</u>	<u>\$ 10,466,619</u>

Capital assets additions, transfers, retirements and balances for year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions / Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 110,538	\$ -	\$ -	\$ 110,538
Capital assets being depreciated				
Buildings	22,030,251	10,663	-	22,040,914
Equipment	8,651,526	346,673	(44,199)	8,954,000
Construction in process	-	28,374	-	28,374
Total capital assets being depreciated	<u>30,681,777</u>	<u>385,710</u>	<u>(44,199)</u>	<u>31,023,288</u>
Less Accumulated Depreciation	<u>18,305,779</u>	<u>1,488,978</u>	<u>(44,199)</u>	<u>19,750,558</u>
Capital Assets, Net	<u>\$ 12,486,536</u>	<u>\$ (1,103,268)</u>	<u>\$ -</u>	<u>\$ 11,383,268</u>

**Note 5 - Lease Obligations**

The District leases certain equipment under noncancelable long-term lease agreements. The capitalized leased assets consist of:

	2019	2018
Equipment laboratory	\$ 177,454	\$ 118,115
Equipment surgery	101,746	101,746
Equipment Information Technology	1,550,145	1,550,145
Less accumulated amortization	(1,748,380)	(1,626,054)
	\$ 80,965	\$ 143,952

Minimum future lease payments for the capital leases are as follows:

Years Ending June 30,	
2020	\$ 49,956
2021	26,726
2022	22,080
2023	9,202
Total minimum lease payments	107,964
Less interest	(23,314)
Present value of minimum lease payments	\$ 84,650

**Note 6 - Long-Term Debt**

A schedule of changes in the District's long-term liabilities for the years ended June 30, 2019 and 2018 are as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bank of Eastern Oregon	\$ 2,842,445	\$ -	\$ (162,547)	\$ 2,679,898	\$ 185,078
2018 Refunded State of Oregon Economic and Community Development #2	2,476,377	-	(153,194)	2,323,183	134,123
US Department of Agriculture	8,096,103	-	(147,212)	7,948,891	153,349
US Bank	20,000	-	(20,000)	-	-
2018 Refunded US Bank	1,280,000	-	(21,000)	1,259,000	137,000
Total bonds and notes	<u>\$14,714,925</u>	<u>\$ -</u>	<u>\$ (503,953)</u>	<u>\$14,210,972</u>	<u>\$ 609,550</u>
	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bank of Eastern Oregon	\$ 3,027,560	\$ -	\$ (185,115)	\$ 2,842,445	\$ 162,547
State of Oregon Economic and Community Development	2,879,645	-	(2,879,645)	-	-
2018 Refunded State of Oregon Economic and Community Development #2	-	2,476,377	-	2,476,377	153,194
US Department of Agriculture	8,237,390	-	(141,287)	8,096,103	147,206
US Bank	1,325,000	-	(1,305,000)	20,000	20,000
2018 Refunded US Bank	-	1,280,000	-	1,280,000	21,000
Total bonds and notes	<u>\$15,469,595</u>	<u>\$ 3,756,377</u>	<u>\$ (4,511,047)</u>	<u>\$14,714,925</u>	<u>\$ 503,947</u>

The terms and due dates of the District's long-term debt at June 30, 2019 are as follows:

Note payable to Bank of Eastern Oregon, due in monthly installments of \$25,210, including interest at 4.5%, through October 2030. The note is collateralized by the hospital building. Outstanding balance of the note payable at June 30, 2019 and 2018 was \$2,679,898 and \$2,842,445, respectively.

During 2018, the Hospital refunded debt in the amount of \$2,476,377, due in annual principal installments of amounts ranging from \$135,000 to \$235,000, and semi-annual variable rate interest payments, ranging from 4.0% to 5.0% through December 2031. The note is collateralized by the hospital building. Outstanding balance of the note payable at June 30, 2019 and 2018 was \$2,323,183 and \$2,476,377, respectively.

The advance refunding resulting in a difference between the reacquisition price and net carrying amount of the old debt of \$259,198. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations through the term of the Note Payable using the straight-line method. The Hospital completed its advance refunding to reduce its total debt service payments by approximately \$273,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$298,000.

Revenue bond payable to the United States Department of Agriculture, due in annual installments of \$54,350, including interest at 4.500%, through June 2049. The District has pledged tax revenue for satisfaction of the annual debt service requirement. Outstanding balance of the revenue bond payable at June 30, 2019 and 2018 was \$885,099 and \$898,995, respectively.

Revenue bond payable to the United States Department of Agriculture, due in annual installments of \$411,760, including interest at 4.125%, through June 2049. The District has pledged tax revenue for satisfaction of the annual debt service requirement. Outstanding balance of the revenue bond payable at June 30, 2019 and 2018 was \$7,012,666 and \$7,130,300, respectively.

Revenue bond payable to the United States Department of Agriculture, due in annual installments of \$18,519, including interest at 4.253%, through July 2021. The bond is collateralized by digital mammography, emergency medical services, and swing bed equipment. Outstanding balance of the revenue bond payable at June 30, 2019 and 2018 was \$51,131 and \$66,808, respectively.

During 2018, the Hospital refunded debt in the amount of \$1,280,000, due in annual principal installments of amounts ranging from \$137,000 to \$179,000 and semi-annual variable interest rate payments of 3.710%, through December 2026. The note is collateralized by buildings and land. Outstanding balance on the note payable at June 30, 2019 and 2018 was \$1,259,000 and \$1,280,000, respectively.

The advance refunding resulting in a difference between the reacquisition price and net carrying amount of the old debt of \$85,000. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations through the term of the note payable using the straight-line method. The Hospital completed its advance refunding to reduce its total debt service payments over the next 8 years by approximately \$176,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$106,000.

Note payable to US Bank, due in annual principal installments of amounts \$20,000, and semi-annual variable rate interest payments of 2.925% through January 2019. The note is collateralized by buildings and land. Outstanding balance on the note payable at June 30, 2019 and 2018 was \$0 and \$20,000, respectively.

**Pledged Revenues**

The District has pledged future general revenues for satisfaction of the \$9,000,000 revenue bonds issued in June 2009. Proceeds from the bonds were used for construction of the hospital building. Principal and interest on the bonds are payable through June 2049. Annual principal and interest on the bonds are expected to require 2 percent of revenues. Principal and interest paid for the current year was \$466,111. Revenues totaled \$32,400,798 for the year. At year end, pledged future revenues totaled \$13,980,259, which was the amount of the remaining principal and interest on the bonds.

The District has also pledged future general revenues for satisfaction of the \$148,000 revenue bond issued in July 2012. Proceeds from the bonds were used to acquire equipment. Principal and interest on the bonds are payable through July 2021. Annual principal and interest on the bond is expected to require less than 1 percent of revenues. Principal and interest paid for the current year was \$18,519. Revenues totaled \$32,400,798 for the year. At year end, pledged future revenues totaled \$55,557, which was the amount of the remaining principal and interest on the bonds.

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 609,552	\$ 604,509
2021	634,104	578,296
2022	666,735	550,628
2023	672,621	522,355
2024	3,642,504	2,147,991
2025-2029	2,622,448	1,402,379
2030-2034	1,318,377	1,012,176
2035-2039	1,616,936	713,617
2040-2044	1,983,171	347,381
2045-2049	444,524	18,528
	<u>\$14,210,972</u>	<u>\$ 7,897,860</u>
Total		

**Note 7 - Pension Plans**

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is hybrid successor plan to the OPERF

and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying district employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS account, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

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

### **Benefits Provided**

#### *1. OPSRP Pension Program (OPSRP DB)*

##### *Pension Benefits*

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

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

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

##### *Death Benefits*

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

##### *Disability Benefits*

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

### *Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

## **2. OPSRP Individual Account Program (OPSRP IAP)**

### *Pension Benefits*

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

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

### *Death Benefits*

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

### **Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

### **Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective June 30, 2017. Employer contributions for the year ended June 30, 2019 were \$1,318,802, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 11.88 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2019, the District reported a liability of \$14,551,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was 0.09562587 percent, which changed from the 0.09187897 percent measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,573,187. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 494,998	\$ -
Changes of assumptions or other inputs	3,383,195	-
Net difference between projected and actual earnings on pension plan investments	-	646,169
Changes in proportionate share	475,720	-
Differences between employer contributions and employer's proportionate share of system contributions	-	377,386
Contributions subsequent to the measurement date	1,275,028	-
Total	\$ 5,628,941	\$ 1,023,555

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

Years Ended June 30,			
2020		\$	1,854,707
2021			1,339,962
2022			(117,736)
2023			171,431
2024			81,994
			81,994
		\$	3,330,358

**Actuarial Assumptions**

The employer contribution rates effective July 1, 2016 through June 30, 2018 were set using the entry age normal actuarial cost method. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consistent of an amount for the normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarially accrued liabilities, which are being amortized over a fixed period with new unfunded actuarially accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment Rate of Return	7.2 percent
Projected Salary Increases	3.5 percent overall payroll growth
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

**Long-term expected rate of return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2016 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Intermediate-Term Bonds	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund	3.13%	9.95%
Commodities/Other	9.39%	22.21%
Total	100.00%	
Assumed Inflation - Mean		2.50%

*Discount rate*

The discount rate used to measure the total pension liability was 7.2 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Proportionate share	\$ 24,318,296	\$ 14,551,495	\$ 6,489,799

**Note 8 - Concentrations of Credit Risk**

The District grants credit without collateral to its patient, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2019 and 2018 was as follows:

	2019	2018
Medicare	36%	38%
Medicaid	16%	15%
Commercial insurance and other third party payors	36%	28%
Patients	12%	19%
	100%	100%

**Note 9 - Contingencies**

**Risk Management Insurance**

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

**Malpractice Insurance**

The District holds its professional liability insurance coverage with Hudson Insurance Group. The policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policy. If there are unreported incidents which result in a malpractice claim in the current year, such claims will be covered in the year the claim is reported to the insurance carrier

only if the District purchases claims-made insurance in that year or the District purchases “tail” insurance to cover the claims incurred before, but reported to the insurance carrier after, cancellation or expiration of the claims-made policy.

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

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

**Litigation, Claims, and Disputes**

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

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

**Note 10 - Transfers**

Fund	Transfers In	Transfers Out
Medical Office Building Sub-Fund	\$ 42,423	\$ -
Capital Trust Sub-Fund	-	(42,423)
	\$ 42,423	\$ (42,423)

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



Required Supplementary Information  
June 30, 2019 and 2018

## Harney County Health District

Harney County Health District  
Schedule of the Proportionate Share of Net Pension Liability (Asset)  
Last Ten Years\*

Year Ended June 30,	District's proportion of the net pension liability (asset)	District's proportionate share of the net liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total liability
2019	0.09605782%	\$ 14,551,495	\$ 12,516,523	116.26%	82.07%
2018	0.09562587%	12,890,403	10,757,913	119.82%	83.12%
2017	0.09187897%	13,793,167	10,350,050	133.27%	80.50%
2016	0.08710214%	5,000,936	10,317,663	48.47%	88.43%
2015	0.06738475%	(1,527,420)	9,362,004	-16.32%	103.59%

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

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

Harney County Health District  
 Schedule of Employer Contributions  
 Last Ten Years\*

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 1,318,802	\$ 1,318,802	-	\$ 12,516,523	10.54%
2018	1,266,672	1,266,672	-	10,757,913	11.77%
2017	863,697	863,697	-	10,350,050	8.34%
2016	843,021	843,021	-	10,317,663	8.17%
2015	526,591	526,591	-	9,362,004	5.62%

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

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

**Changes in Plan Provisions**

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

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

**Changes of Assumptions**

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Retirement System's GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 25, 2015, and can be found at:

[https://services.oregon.gov/pers/docs/2014\\_experience\\_study\\_9-23-15.pdf](https://services.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf)



Supplementary Information  
June 30, 2019 and 2018

## Harney County Health District

Harney County Health District  
Schedule of Resources and Expenditures – Budget vs. Actual – District Operating Fund  
Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Resources</b>			
Net working capital, beginning of year	\$ 6,926,495	\$ 2,391,805	\$ (4,534,690)
Net operating revenue	23,312,046	25,120,180	1,808,134
Property taxes	1,050,000	1,089,227	39,227
Grants/contributions/other non-operating	220,768	160,191	(60,577)
Interest	105,075	161,978	56,903
	<u>\$ 31,614,384</u>	<u>28,923,381</u>	<u>\$ (2,691,003)</u>
<b>Expenditures</b>			
Personnel services	\$ 16,027,942	14,886,739	\$ 1,141,203
Materials and services	6,657,961	7,165,704	(507,743)
Capital outlay	1,026,433	503,041	523,392
Debt service	1,276,447	1,300,579	(24,132)
Net working capital, end of year	6,625,601	2,501,153	4,124,448
	<u>\$ 31,614,384</u>	<u>26,357,216</u>	<u>\$ 5,257,168</u>
Resources in Excess of Expenditures		<u>2,566,165</u>	
<b>Reconciliation of Statutory Operating Expenditures to GAAP Basis Operating Expenses</b>			
Add net working capital, end of year		2,501,153	
Add capital asset additions		503,041	
Add long-term debt principal reductions		749,670	
Less net working capital, beginning of year		(2,391,805)	
Less pension expense		(2,860,336)	
Less depreciation and amortization		(1,345,898)	
		<u>(2,844,175)</u>	
Total effects of reconciliation		<u>(2,844,175)</u>	
Change in Net Position		(278,010)	
Net Position, Beginning of Year		<u>(213,536)</u>	
Net Position, End of Year		<u>\$ (491,546)</u>	

## Harney County Health District

Schedule of Resources and Expenditures – Budget vs. Actual – Medical Office Building (Sub-Fund of the  
Operating Fund)  
Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Resources</b>			
Net working capital, beginning of year	\$ -	\$ (509,238)	\$ (509,238)
Transfers from other funds	41,059	42,423	1,364
	<u>\$ 41,059</u>	<u>(466,815)</u>	<u>\$ (507,874)</u>
<b>Expenditures</b>			
Debt service	\$ 112,382	50,930	\$ 61,452
Net working capital, end of year	-	(620,486)	(620,486)
	<u>\$ 112,382</u>	<u>(569,556)</u>	<u>\$ (559,034)</u>
Resources In Excess of Expenditures		<u>102,741</u>	
<b>Reconciliation of Statutory Operating Expenditures to GAAP Basis Operating Expenses</b>			
Add net working capital, end of year		(620,486)	
Add long-term debt principal reductions		5,000	
Less net working capital, beginning of year		509,238	
Less depreciation and amortization		(73,792)	
		<u>(180,040)</u>	
Change in Net Position		(77,299)	
Net Position, Beginning of Year		<u>(1,054,664)</u>	
Net Position, End of Year		<u>\$ (1,131,963)</u>	

## Harney County Health District

### Schedule of Resources and Expenditures – Budget vs. Actual – Capital Trust Fund (Sub-Fund of the Operating Fund)

Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Resources			
Trust income	<u>\$ 41,059</u>	<u>\$ 42,423</u>	<u>\$ 1,364</u>
Expenditures			
Transfers to other funds	<u>\$ 41,059</u>	<u>42,423</u>	<u>\$ (1,364)</u>
Resources In Excess of Expenditures		<u>-</u>	
Change in Net Position		-	
Net Position, Beginning of Year		<u>-</u>	
Net Position, End of Year		<u>\$ -</u>	

Harney County Health District  
Schedule of Property Tax Transactions and Outstanding Balances  
Year Ended June 30, 2019

Fiscal Year	Uncollected Taxes June 30, 2018	2018-19 Assessment	(Abatements) and Adjustments	Interest Collected	Discounts	Total Amount Collected	Uncollected Taxes June 30, 2019
2018-2019	\$ -	\$ 1,096,737	\$ (3,925)	\$ 1,097	\$ (27,185)	\$ (1,016,101)	\$ 50,623
2017-2018	47,759	-	(60)	2,741	-	(23,528)	26,912
2016-2017	29,772	-	(56)	3,258	-	(14,247)	18,727
2015-2016	18,992	-	(55)	4,355	-	(13,619)	9,673
2014-2015	8,665	-	(53)	2,912	-	(8,054)	3,470
2013-2014	5,237	-	(37)	793	-	(1,416)	4,577
2012-2013	3,704	-	(278)	601	-	(1,639)	2,388
2011 - 2012	1,159	-	(13)	-	-	-	1,146
2011 and prior	980	-	(71)	147	-	(270)	786
Total	<u>\$ 116,268</u>	<u>\$ 1,096,737</u>	<u>\$ (4,548)</u>	<u>\$ 15,904</u>	<u>\$ (27,185)</u>	<u>\$ (1,078,874)</u>	<u>\$ 118,302</u>

Harney County Health District  
Statement of Net Position – Combining  
June 30, 2019

	<u>Operating</u>	<u>Capital Trust</u>	<u>Medical Office Building</u>	<u>Total</u>
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 2,326,197	\$ -	\$ -	\$ 2,326,197
Cash equivalents in external investment pool	5,979,014	-	(620,486)	5,358,528
Receivables				
Patient, net of estimated uncollectibles of \$245,000	4,017,851	-	-	4,017,851
Estimated third-party payor settlements	572,578	-	-	572,578
Property taxes	118,302	-	-	118,302
Other	763,843	-	-	763,843
Supplies	410,008	-	-	410,008
Prepaid expenses	282,301	-	-	282,301
Total current assets	<u>14,470,094</u>	<u>-</u>	<u>(620,486)</u>	<u>13,849,608</u>
Noncurrent Cash Equivalents in External Investment Pool				
Internally designated for specific operating purposes and capital improvements	2,848	-	-	2,848
Restricted for outreach programs	11,427	-	-	11,427
USDA debt reserve fund	484,629	-	-	484,629
Noncurrent cash equivalents in external investment pool	<u>498,904</u>	<u>-</u>	<u>-</u>	<u>498,904</u>
Capital Assets				
Capital assets not being depreciated	110,538	-	-	110,538
Capital assets being depreciated, net	9,681,415	-	674,666	10,356,081
Total capital assets	<u>9,791,953</u>	<u>-</u>	<u>674,666</u>	<u>10,466,619</u>
Other Assets				
Notes receivable	75,534	-	-	75,534
Total other assets	<u>75,534</u>	<u>-</u>	<u>-</u>	<u>75,534</u>
Total assets	<u>24,836,485</u>	<u>-</u>	<u>54,180</u>	<u>24,890,665</u>
Deferred Outflows of Resources				
Pension	5,628,941	-	-	5,628,941
Total assets and deferred outflows of resources	<u>\$ 30,465,426</u>	<u>\$ -</u>	<u>\$ 54,180</u>	<u>\$ 30,519,606</u>

Harney County Health District  
Statement of Net Position – Combining  
June 30, 2019

	<u>Operating</u>	<u>Capital Trust</u>	<u>Medical Office Building</u>	<u>Total</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of capital leases	\$ 38,511	\$ -	\$ -	\$ 38,511
Current maturities of long-term debt	472,550	-	137,000	609,550
Accounts payable				
Trade	303,014	-	-	303,014
Estimated third-party payor settlements	122,746	-	-	122,746
Accrued expenses				
Salaries and wages	329,990	-	-	329,990
Paid time off	701,266	-	-	701,266
Interest	58,331	-	-	58,331
Employee benefit plans	419,276	-	-	419,276
Payroll taxes	175,042	-	-	175,042
Total current liabilities	<u>2,620,726</u>	<u>-</u>	<u>137,000</u>	<u>2,757,726</u>
<b>Long-Term Liabilities</b>				
Capital leases, less current maturities	46,139	-	-	46,139
Net pension liability	14,551,496	-	-	14,551,496
Long-term debt, less current maturities	12,479,422	-	1,122,000	13,601,422
Total long-term liabilities	<u>27,077,057</u>	<u>-</u>	<u>1,122,000</u>	<u>28,199,057</u>
Total liabilities	<u>29,697,783</u>	<u>-</u>	<u>1,259,000</u>	<u>30,956,783</u>
<b>Deferred Inflow of Resources</b>				
Electronic health record incentives	-	-	-	-
Refunding costs	235,634	-	(72,857)	162,777
Pension	1,023,555	-	-	1,023,555
Total deferred inflow of resources	<u>1,259,189</u>	<u>-</u>	<u>(72,857)</u>	<u>1,186,332</u>
<b>Net Position</b>				
Net investment in capital assets	(3,480,303)	-	(511,477)	(3,991,780)
Restricted				
Expendable for programs	127	-	-	127
Expendable for debt service	484,629	-	-	484,629
Unrestricted				
Board designated for capital improvement	2,848	-	-	2,848
Unrestricted	2,501,153	-	(620,486)	1,880,667
Total net position	<u>(491,546)</u>	<u>-</u>	<u>(1,131,963)</u>	<u>(1,623,509)</u>
	<u>\$ 30,465,426</u>	<u>\$ -</u>	<u>\$ 54,180</u>	<u>\$ 30,519,606</u>

Harney County Health District  
Statement of Net Position – Combining  
June 30, 2018

	<u>Operating</u>	<u>Capital Trust</u>	<u>Medical Office Building</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 59,207	\$ -	\$ -	\$ 59,207
Cash equivalents in external investment pool	5,413,505	-	(496,377)	4,917,128
Receivables				
Patient, net of estimated uncollectibles of \$526,000	5,165,665	-	-	5,165,665
Estimated third-party payor settlements	369,489	-	-	369,489
Property taxes	116,268	-	-	116,268
Other	813,014	-	-	813,014
Supplies	322,913	-	-	322,913
Prepaid expenses	394,979	-	-	394,979
Total current assets	<u>12,655,040</u>	<u>-</u>	<u>(496,377)</u>	<u>12,158,663</u>
<b>Noncurrent Cash Equivalents in External Investment Pool</b>				
Internally designated for specific operating purposes and capital improvements	2,776	-	-	2,776
Restricted for outreach programs	23,535	-	-	23,535
USDA debt reserve fund	484,629	-	-	484,629
Noncurrent cash equivalents in external investment pool	<u>510,940</u>	<u>-</u>	<u>-</u>	<u>510,940</u>
<b>Capital Assets</b>				
Capital assets not being depreciated	138,912	-	-	138,912
Capital assets being depreciated, net	10,592,353	-	652,003	11,244,356
Total capital assets	<u>10,731,265</u>	<u>-</u>	<u>652,003</u>	<u>11,383,268</u>
<b>Other Assets</b>				
Notes receivable	87,971	-	-	87,971
Total other assets	<u>87,971</u>	<u>-</u>	<u>-</u>	<u>87,971</u>
Total assets	<u>23,985,216</u>	<u>-</u>	<u>155,626</u>	<u>24,140,842</u>
<b>Deferred Outflows of Resources - Pension</b>				
Total assets and deferred outflows of resources	<u>\$ 28,931,800</u>	<u>\$ -</u>	<u>\$ 155,626</u>	<u>\$ 29,087,426</u>

Harney County Health District  
Statement of Net Position – Combining  
June 30, 2018

	<u>Operating</u>	<u>Capital Trust</u>	<u>Medical Office Building</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Current maturities of capital leases	\$ 114,824	\$ -	\$ -	\$ 114,824
Current maturities of long-term debt	482,947	-	21,000	503,947
Accounts payable	258,300	-	-	258,300
Estimated third-party payor settlements	100,997	-	-	100,997
Accrued expenses				
Salaries and wages	276,839	-	-	276,839
Paid time off	640,146	-	-	640,146
Interest	48,334	-	12,861	61,195
Employee benefit plans	375,169	-	-	375,169
Payroll taxes	138,953	-	-	138,953
Total current liabilities	<u>2,436,509</u>	<u>-</u>	<u>33,861</u>	<u>2,470,370</u>
Long-Term Liabilities				
Capital leases, less current maturities	31,204	-	-	31,204
Net pension liability	12,890,403	-	-	12,890,403
Long-term debt, less current maturities	12,951,978	-	1,259,000	14,210,978
Total long-term liabilities	<u>25,873,585</u>	<u>-</u>	<u>1,259,000</u>	<u>27,132,585</u>
Total liabilities	<u>28,310,094</u>	<u>-</u>	<u>1,292,861</u>	<u>29,602,955</u>
Deferred Inflows of Resources				
Electronic health record incentives	151,653	-	-	151,653
Refunding costs	254,485	-	(82,571)	171,914
Pension	429,104	-	-	429,104
Total deferred inflows of resources	<u>835,242</u>	<u>-</u>	<u>(82,571)</u>	<u>752,671</u>
Net Position				
Net investment in capital assets	(3,104,173)	-	(545,426)	(3,649,599)
Restricted				
Expendable for programs	11,427	-	-	11,427
Expendable for debt service	484,629	-	-	484,629
Unrestricted				
Board designated for capital improvement	2,776	-	-	2,776
Unrestricted	2,391,805	-	(509,238)	1,882,567
Total net position	<u>(213,536)</u>	<u>-</u>	<u>(1,054,664)</u>	<u>(1,268,200)</u>
	<u>\$ 28,931,800</u>	<u>\$ -</u>	<u>\$ 155,626</u>	<u>\$ 29,087,426</u>

Harney County Health District  
Statement of Revenues and Expenses and Changes in Net Position – Combining  
Year Ended June 30, 2019

	Operating	Capital Trust	Medical Office Building	Total
Operating Revenues				
Net patient revenue	\$ 23,414,620	\$ -	\$ -	\$ 23,414,620
Electronic health record incentive revenue	151,653	-	-	151,653
Other operating revenues	1,553,907	-	-	1,553,907
Total operating revenues	<u>25,120,180</u>	<u>-</u>	<u>-</u>	<u>25,120,180</u>
Operating Expenses				
Salaries and wages	12,378,299	-	-	12,378,299
Employee benefits	5,368,776	-	-	5,368,776
Purchased services, professional fees, and supplies	7,165,704	-	-	7,165,704
Depreciation and amortization	1,345,898	-	73,792	1,419,690
Total operating expenses	<u>26,258,677</u>	<u>-</u>	<u>73,792</u>	<u>26,332,469</u>
Operating Loss	<u>(1,138,497)</u>	<u>-</u>	<u>(73,792)</u>	<u>(1,212,289)</u>
Non-Operating Revenues (Expenses)				
Property taxes	1,089,227	-	-	1,089,227
Interest income	161,978	-	-	161,978
Gain on sale of capital assets	5,500	-	-	5,500
Rental income	102,944	-	-	102,944
Trust income	-	42,423	-	42,423
Non-operating grant revenue	32,795	-	-	32,795
Transfers from other funds	-	-	42,423	42,423
Transfers to other funds	-	(42,423)	-	(42,423)
Interest expense	(550,909)	-	(45,930)	(596,839)
Non-operating revenues (expenses), net	<u>841,535</u>	<u>-</u>	<u>(3,507)</u>	<u>838,028</u>
Revenues in Excess of (Less Than) Expenses Before Capital Grants and Contributions	<u>(296,962)</u>	<u>-</u>	<u>(77,299)</u>	<u>(374,261)</u>
Capital Grants and Contributions				
Capital contribution revenue	18,952	-	-	18,952
Total capital grants and contributions	<u>18,952</u>	<u>-</u>	<u>-</u>	<u>18,952</u>
Change in Net Position	(278,010)	-	(77,299)	(355,309)
Net Position, Beginning of Year	<u>(213,536)</u>	<u>-</u>	<u>(1,054,664)</u>	<u>(1,268,200)</u>
Net Position, End of Year	<u>\$ (491,546)</u>	<u>\$ -</u>	<u>\$ (1,131,963)</u>	<u>\$ (1,623,509)</u>

Harney County Health District  
Statement of Revenues and Expenses and Changes in Net Position – Combining  
Year Ended June 30, 2018

	Operating	Capital Trust	Medical Office Building	Total
Operating Revenues				
Net patient revenue	\$ 22,684,653	\$ -	\$ -	\$ 22,684,653
Electronic health record incentive revenue	204,437	-	-	204,437
Other operating revenues	1,573,070	-	-	1,573,070
Total operating revenues	<u>24,462,160</u>	<u>-</u>	<u>-</u>	<u>24,462,160</u>
Operating Expenses				
Salaries and wages	11,143,907	-	-	11,143,907
Employee benefits	5,242,588	-	-	5,242,588
Purchased services, professional fees, and supplies	7,658,282	-	-	7,658,282
Depreciation and amortization	1,425,368	-	63,610	1,488,978
Total operating expenses	<u>25,470,145</u>	<u>-</u>	<u>63,610</u>	<u>25,533,755</u>
Operating Loss	<u>(1,007,985)</u>	<u>-</u>	<u>(63,610)</u>	<u>(1,071,595)</u>
Non-Operating Revenues (Expenses)				
Property taxes	1,019,310	-	-	1,019,310
Interest income	113,492	-	-	113,492
Gain on sale of capital assets	2,000	-	-	2,000
Rental income	95,252	-	-	95,252
Trust income	-	43,136	-	43,136
Non-operating grant revenue	37,577	-	-	37,577
Transfers from other funds	-	-	43,136	43,136
Transfers to other funds	-	(43,136)	-	(43,136)
Interest expense	(608,431)	-	(64,760)	(673,191)
Non-operating revenues (expenses), net	<u>659,200</u>	<u>-</u>	<u>(21,624)</u>	<u>637,576</u>
Revenues in Excess of (Less Than) Expenses Before Capital Grants and Contributions	<u>(348,785)</u>	<u>-</u>	<u>(85,234)</u>	<u>(434,019)</u>
Capital Grants and Contributions				
Capital contribution revenue	26,601	-	-	26,601
Total capital grants and contributions	<u>26,601</u>	<u>-</u>	<u>-</u>	<u>26,601</u>
Change in Net Position	(322,184)	-	(85,234)	(407,418)
Net Position, Beginning of Year	<u>108,648</u>	<u>-</u>	<u>(969,430)</u>	<u>(860,782)</u>
Net Position, End of Year	<u>\$ (213,536)</u>	<u>\$ -</u>	<u>\$ (1,054,664)</u>	<u>\$ (1,268,200)</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Harney County Health District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 31, 2019.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weakness.

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. We consider the following deficiencies in the District's internal control to be material weakness:

- *2019-1 Financial Statement Preparation*

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.

### **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 determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Boise, Idaho  
October 31, 2019

## Financial Statement Findings

### 2019 – 1 Financial Statement Preparation

Condition – As auditors, we were requested to prepare the financial statements and footnotes. This circumstance is not unusual in an organization of this size, due to time constraints of management and costs associated with compliance of the standard. Statement of Auditing Standard AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, changed and expanded the definition of a material weakness and significant deficiency. Due to these expanded definitions, management must be able to accurately prepare their own financial statements without assistance or adjustment by the auditor.

Criteria – The internal control structure should include procedures to ensure management is able to prepare their own financial statements.

Cause – The controls currently in place were not sufficient to ensure management is able to prepare their own financial statements.

Effect – As auditors, we were required to prepare the financial statements and footnotes.

Recommendation - Management and those charged with governance should annually review whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response – We agree with the findings and will implement the proper procedures to ensure this is managed correctly in the future.



Additional Required Reports  
June 30, 2019

## Harney County Health District

**Audit Comments and Disclosures Required by State Regulations**

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



**Independent Auditor’s Report Required by Oregon State Regulations**

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

We have audited the basic financial statements of Harney County Health District (the District) as of and for the year ended June 30, 2019, and have issued our report thereon dated October 31, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards of Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statements amounts:

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

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

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 test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except that noted below.

- The District's net working capital exceeded appropriations for the Medical Office Building Fund.
- The District's expenditures for materials and services as well as debt service exceeded appropriations for the Operating Fund.

### **Internal Control Over Financial Reporting**

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

*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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness.

- *2019-1 Financial Statement Preparation*

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Eide Bailly LLP  
Boise Idaho  
October 31, 2019