



Financial Statements
June 30, 2021 and 2020

Harney County Health District

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Directory of Officials

Elected

Board of Directors:

Sharon Davis, Board Chair
Susan Doverspike, Board Treasurer
Ann Vloedman, Board Secretary
Dan Brown
Dave Ferre
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 financial statements of Harney County Health District (the District) and a discretely presented component unit, Harney Hospital Foundation, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Harney County Health District and of its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in financial position and 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 that collectively comprise the District's financial statements. 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 are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, excluding the Directory of Officials, 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 December 13, 2021 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated December 13, 2021 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
December 13, 2021



Harney District Hospital

557 W. WASHINGTON • BURNS, OR 97720 • 541-573-7281 • www.harneydh.com

Management's Discussion and Analysis Fiscal years ending June 30, 2021 and 2020

Management of Harney County Health District (Health District or District) provides this Discussion and Analysis of the annual financial statements. This narrative and overview is for the fiscal years ending June 30, 2021 and 2020. 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 is a government entity, a political subdivision of the State of Oregon rendering hospital and other healthcare services to the residents of Harney County. The District operates a 25-bed acute care hospital, provides obstetric services, surgical services, emergency care, and ancillary services (laboratory, imaging, infusion, etc.). Outpatient clinic services are provided through the District-owned rural health clinic (RHC) and the NewSun Energy & HDH Specialty Care Clinic.

A seven-member Board of Directors governs the District. The members of the Board of Directors are elected for a term of four years. The Board has a duty to appoint a Chief Executive Officer and delegates the day-to-day operations of the District to the Chief Executive Officer.

The District levies and the County collects property taxes from the property owners in the County. The tax revenue is used to support the District in providing healthcare services to its members. Tax receipts represented approximately 4.4% and 4.0% of the District receipts for the years ended June 30, 2021 and 2020, respectively.

The District uses three independently balanced funds to account for all operations. The Operating Fund accounts for the operation of the Hospital, Family Care Clinic, and Specialty 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 provided 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.

Additionally, 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 District.

Fiscal Year 2021 Overview

The global, COVID-19 pandemic has continued to significantly impact the operations of the Health District. Labor shortages of medical/technical professionals and in particular nursing staff is contributing to higher salaries and recruiting costs as well as a significant increase in utilization of premium wage agency staff. The costs of purchased services and supplies have also continued to rise steadily. The District faces many issues including the difficulty in retaining and recruiting qualified staff, Medicare and Medicaid reimbursement reform, and keeping current with technological advances to best diagnose and treat illnesses and diseases.

During the fiscal year, the District completed two major remodel projects. The Racine Building was remodeled to provide dedicated clinic space for the general surgery clinic, orthopedic services, and visiting specialists.

Construction was also completed in the Pharmacy to meet federal requirements which would have prohibited us from providing chemotherapy services to our patients had the remodel not been done.

Harney County Health District
Management's Discussion and Analysis
June 30, 2021 and 2020

	2021	2020	2019
Current and other assets	\$ 27,874,431	\$ 27,745,137	\$ 14,424,046
Capital assets	10,654,606	10,430,172	10,466,619
Total assets	<u>38,529,037</u>	<u>38,175,309</u>	<u>24,890,665</u>
Deferred outflow of resources	<u>7,565,863</u>	<u>6,354,699</u>	<u>5,628,941</u>
Current liabilities	7,388,522	14,101,014	2,757,726
Long-term liabilities	<u>36,775,149</u>	<u>32,708,093</u>	<u>28,199,057</u>
Total liabilities	<u>44,163,671</u>	<u>46,809,107</u>	<u>30,956,783</u>
Deferred inflow of resources	<u>1,166,223</u>	<u>1,274,034</u>	<u>1,186,332</u>
Invested in capital assets, net of related debt	(2,484,065)	(3,371,041)	(3,991,780)
Restricted			
Expendable for programs	4,533	4,533	127
Expendable for debt service	484,629	484,629	484,629
Unrestricted			
Board designated for capital improvement	2,934	2,911	2,848
Unrestricted	<u>2,756,975</u>	<u>(674,165)</u>	<u>1,880,667</u>
Total net position	<u>\$ 765,006</u>	<u>\$ (3,553,133)</u>	<u>\$ (1,623,509)</u>

Assets: Total assets increased \$354,000 from the prior year. Net accounts receivable increased by \$1.26 million and total cash decreased by \$1.2 million from prior year. Capital assets increased during the fiscal year due to the Pharmacy remodel and the Racine Building remodel which now houses outpatient specialty services, and the purchase of new equipment including procedure tables, two UV disinfecting robots, molecular testing equipment, and a portable ultrasound machine. Depreciation expense totaled \$1.2 million, which is a non-cash accounting expense.

For 2020, total assets increased \$13.2 million. Net accounts receivable decreased by \$434,000 and total cash increased \$13.9 million. The increase in cash was due to Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds received in the amount of \$4.3 million, \$3 million from the Paycheck Protection Program (PPP), and \$5.2 million in Medicare Accelerated Payments. Capital assets purchased included the Family Care Clinic remodel, a new ambulance, a small piece of land adjacent to the hospital campus, and orthopedic equipment. Depreciation expense totaled \$1.1 million.

For 2019, total assets increased \$750,000. Net accounts receivable decreased by \$1.1 million and total cash increased by \$2.7 million. Capital assets decreased \$900,000 and depreciation expense totaled \$1.4 million.

Liabilities: Total liabilities decreased \$2.6 million. The District's portion of Oregon PERS net pension liability increased \$4.5 million from the prior year. The District recognized the revenue from the Provider Relief Funds which decreased liabilities by \$3.1 million.

For 2020, total liabilities increased \$15.8 million. The increase in liabilities was due to PERS net pension liability increasing by \$3.5 million, the Refundable Advance Provider Relief Funds, the Paycheck Protection Program Loan, and the Medicare Advance Payments. Other long-term debt and leases decreased by \$653,000.

For 2019, total liabilities increased \$1.3 million due to PERS net pension liability increasing \$1.6 million. Long-term debt decreased by \$504,000.

Net Position: The District ended the fiscal year with a total net position of \$765,000 consisting of operating net position of \$764,000 and Medical Office net position of \$1,000.

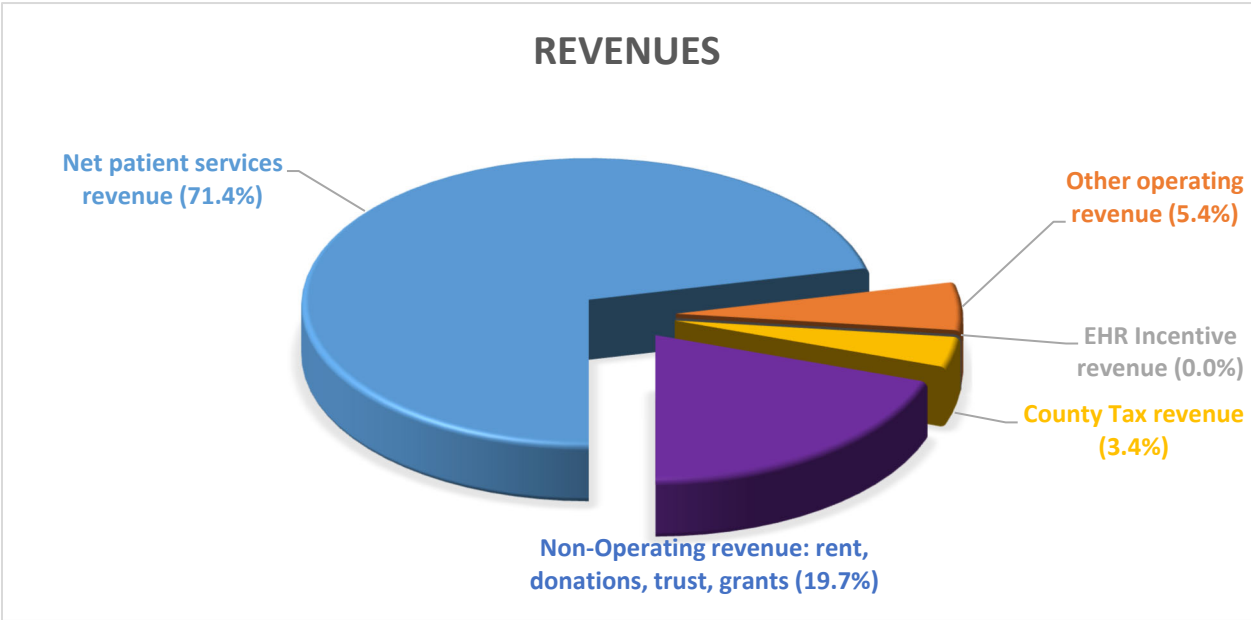
For 2020, the District ended the year with an operating net position of -\$2.3 million and a Medical Office net position of -\$1.2 million for a total net position of -\$3.5 million.

For 2019, the District ended the year with an operating net position of -\$492,000 and a Medical Office net position of -\$1.1 million for a total net position of -\$1.6 million.

Harney County Health District
Management's Discussion and Analysis
June 30, 2021 and 2020

	2021	2020	2019
Operating Revenues			
Net patient service revenues	\$ 25,595,353	\$ 24,391,175	\$ 23,414,620
Electronic health record incentive revenue	-	34,000	151,653
Other operating revenues	1,937,275	1,621,434	1,553,907
Total operating revenues	<u>27,532,628</u>	<u>26,046,609</u>	<u>25,120,180</u>
Operating Expenses			
Salaries and wages	13,621,610	13,297,519	12,378,299
Employee benefits	7,676,761	7,418,466	5,368,776
Purchased services and supplies	8,485,955	7,181,793	7,165,704
Depreciation and amortization	1,151,648	1,093,675	1,419,690
Total operating expenses	<u>30,935,974</u>	<u>28,991,453</u>	<u>26,332,469</u>
Operating Loss	<u>(3,403,346)</u>	<u>(2,944,844)</u>	<u>(1,212,289)</u>
Non-Operating Revenues (Expenses)			
Property taxes	1,229,874	1,054,643	1,089,227
Interest income	177,838	222,696	161,978
Gain on disposal of fixed assets	-	-	5,500
Rental income	30,216	101,274	102,944
Trust income	45,691	41,991	42,423
Non-operating grant revenue	3,805,246	174,653	32,795
PPP loan forgiveness	2,999,350	-	-
Interest expense	(574,233)	(603,215)	(596,839)
Non-operating revenues, net	<u>7,713,982</u>	<u>992,042</u>	<u>838,028</u>
Excess (Deficit) of Revenue Over Expenses Before Capital Grants and Contributions	4,310,636	(1,952,802)	(374,261)
Capital Grants and Contributions	<u>7,503</u>	<u>23,178</u>	<u>18,952</u>
Change in Net Position	4,318,139	(1,929,624)	(355,309)
Net Position, Beginning of Year	<u>(3,553,133)</u>	<u>(1,623,509)</u>	<u>(1,268,200)</u>
Net Position, End of Year	<u>\$ 765,006</u>	<u>\$ (3,553,133)</u>	<u>\$ (1,623,509)</u>

Revenues:

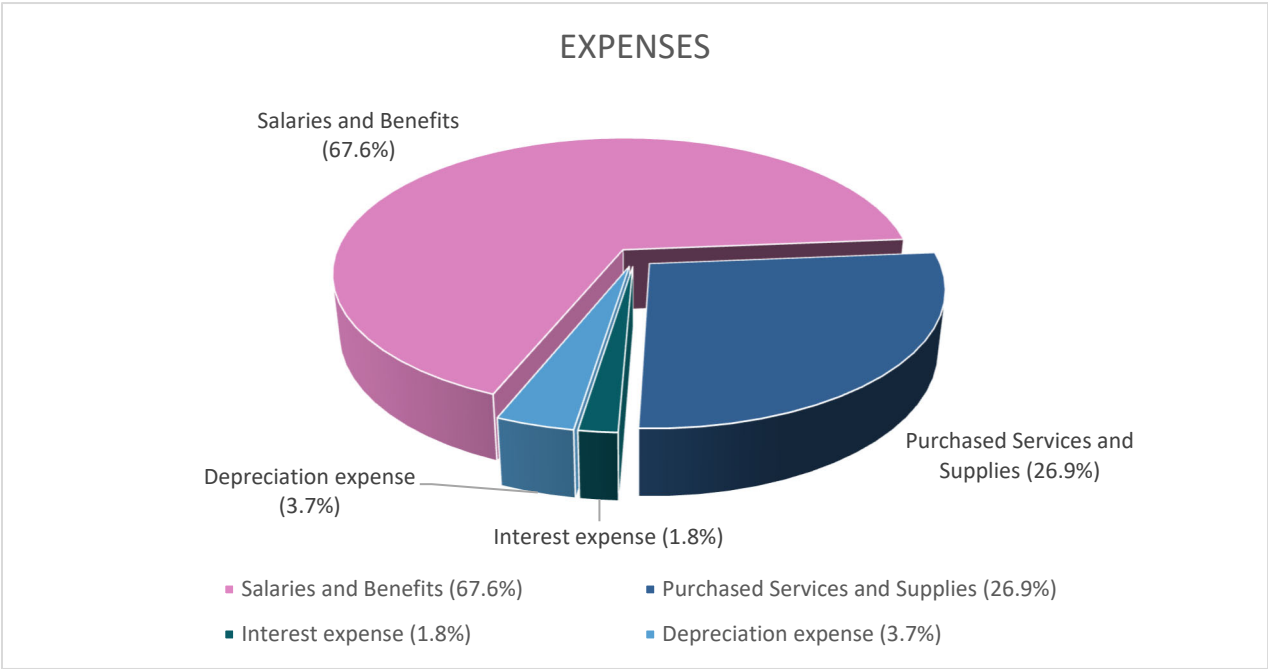


The primary source of revenue is from District operations which accounted for 76.8% of all revenue. Operating revenue consisted of \$25.6 million net patient service revenue and \$1.9 million other operating revenue. Non-operating revenue had a larger share (23.2%) of total revenue in 2021 due to Provider Relief Fund and Paycheck Protection Program revenue recognition. Non-operating revenue is comprised of property taxes of \$1.2 million, interest income of \$178,000, rental income of \$30,000, Hotchkiss Trust income of \$46,000, grant and contributions revenue of \$3.8 million and Paycheck Protection Program revenue of \$3 million. Of the \$3.8 million in grant and contributions revenue, \$3.2 million was the Provider Relief Fund revenue.

For 2020, operating revenue accounted for 94.6% of total revenue consisting of \$24.4 million in net patient service revenue and \$1.6 million in other operating revenues. Non-operating revenues included county property taxes of \$1.1 million (3.9% of total revenue), rental income of \$101,000, interest income of \$223,000, grant revenues of \$175,000, and Hotchkiss Trust income of \$42,000.

For 2019, operating revenue accounted for 94.6% of revenue consisting of \$23.4 million in net patient revenues, \$152,000 in Electronic Health Records Incentives, and \$1.6 million in other operating revenues. Non-operating revenues included county property taxes of \$1.1 million (4.1% of total revenue), rental income of \$103,000, interest income of \$162,000, grant revenues of \$19,000, and Hotchkiss Trust income of \$42,000.

Expenses:



Virtually all expenses (98.2%) are generated by District operations. Employee salaries and benefits totaled \$21.3 million and account for 67.6% of all hospital expenditures. Purchased services and supplies totaled \$8.5 million and account for 26.9% of expenditures. Depreciation expense (a non-cash expense) totaled \$1.15 million and interest expense for the hospital building and equipment totaled \$574,000.

For 2020, 98.0% of expenses were generated by District operations. Employee salaries and benefits totaled \$20.7 million and accounted for 70% of all hospital expenditures. Purchased services and supplies totaled \$7.2 million. Depreciation expense totaled \$1.1 million and interest expense totaled \$603,000.

For 2019, salaries and benefits accounted for 62.5% of all hospital expenditures totaling \$17.7 million. Purchased services and supplies accounted for \$7.2 million and interest expense for the hospital building and equipment totaled \$597,000. Depreciation expense totaled \$1.4 million.

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:

- Attracting and retaining the most qualified health care professionals. Recruiting and retaining qualified staff for all positions is challenging. We are examining and forecasting our needs for the next five to ten years and will be developing strategies to help attract and prepare local talent and to successfully continue to recruit outside talent.
- Increasing access to specialists in Harney County. The Specialty Clinic can accommodate current visiting specialists and we plan to reach out to more specialty groups to expand the types of specialists seeing patients in our community.
- We have engaged a consultant to assist in the development of a comprehensive facility site plan that assesses the future needs of our medical campus including property, programs, buildings, and utilization of space.
- The District is seeking accreditation through an agency approved by the US Centers for Medicare and Medicaid Services. The agency will monitor the District's adherence to patient safety criteria and evaluate processes that impact care across the departments and facilities of the hospital.
- With the recent advances in telemedicine and remote monitoring technologies, the District is exploring ways to utilize these tools to further connect our patients to our providers and to increase their access to quality and timely medical care.

Contacting the District's Financial Management:

This report provides the District patients, taxpayers, and creditors with a general overview of the District's finances and seeks to provide accountability for the funds it receives. For questions about this report or for additional financial information, contact Harney District Hospital Administration at 557 W. Washington St. Burns, OR 97720 or call 541-413-6059.

Harney County Health District
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 342,184	\$ 1,353,729
Cash received from CMS and provider relief funds	6,103,426	9,540,167
Cash equivalents in external investment pool	14,006,939	10,753,548
Receivables		
Patient, net of estimated uncollectibles of \$608,000 in 2021 and \$632,000 in 2020	4,844,323	3,583,506
Estimated third-party payor settlements	481,094	708,252
Property taxes	95,705	121,002
Other	688,607	275,002
Supplies	479,142	571,352
Prepaid expenses	255,756	276,430
	<u>27,297,176</u>	<u>27,182,988</u>
Noncurrent Cash Equivalents in External Investment Pool		
Internally designated for specific operating purposes and capital improvements	2,934	2,911
Restricted for outreach programs	4,533	127
USDA debt reserve fund	484,629	484,629
	<u>492,096</u>	<u>487,667</u>
Capital Assets		
Capital assets not being depreciated	235,005	469,192
Capital assets being depreciated, net	10,419,601	9,960,980
	<u>10,654,606</u>	<u>10,430,172</u>
Other Assets		
Notes receivable	85,159	74,482
	<u>85,159</u>	<u>74,482</u>
	<u>38,529,037</u>	<u>38,175,309</u>
Deferred Outflow of Resources		
Pension	7,565,863	6,354,699
	<u>7,565,863</u>	<u>6,354,699</u>
	<u>\$ 46,094,900</u>	<u>\$ 44,530,008</u>

Harney County Health District
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of capital leases	\$ 18,107	\$ 19,299
Current maturities of long-term debt	666,740	634,119
Current maturities paycheck protection program	-	1,319,136
Refundable advance provider relief funds	1,155,273	4,272,635
CMS advanced payments	3,018,373	5,267,532
Accounts payable		
Trade	686,711	649,906
Estimated third-party payor settlements	-	27,204
Accrued expenses		
Salaries and wages	369,932	338,506
Paid time off	703,213	762,787
Interest	50,939	54,017
Employee benefit plans	512,082	578,709
Payroll taxes	207,152	177,164
Total current liabilities	7,388,522	14,101,014
Long-Term Liabilities		
Capital leases, less current maturities	8,734	26,840
Long-term debt, less current maturities	12,300,586	12,967,315
CMS advance payments, net of current portion	1,929,780	-
Net pension liability	22,536,049	18,033,724
Paycheck protection program	-	1,680,214
Total long-term liabilities	36,775,149	32,708,093
Total liabilities	44,163,671	46,809,107
Deferred Inflows of Resources		
Refunding costs	144,504	153,640
Pension plan	1,021,719	1,120,394
Total deferred inflows of resources	1,166,223	1,274,034
Net Position		
Net investment in capital assets	(2,484,065)	(3,371,041)
Restricted		
Expendable for programs	4,533	4,533
Expendable for debt service	484,629	484,629
Unrestricted		
Board designated for capital improvement	2,934	2,911
Unrestricted	2,756,975	(674,165)
Total net position	765,006	(3,553,133)
Total liabilities, deferred inflows of resources, and net position	\$ 46,094,900	\$ 44,530,008

Harney County Health District
 Statements of Financial Position – Discretely Presented Component Unit
 Harney Hospital Foundation
 December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 125,021	\$ 464,982
Short-term investments	-	333,547
Endowment investments	140,823	126,665
Total assets	\$ 265,844	\$ 925,194
Net Assets		
Without donor restrictions		
Board designated for programs	\$ 67,441	\$ 781,404
Undesignated	98,403	43,790
Total net assets without donor restrictions	165,844	825,194
With donor restrictions	100,000	100,000
Total net assets	\$ 265,844	\$ 925,194

Harney County Health District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$2,129,235 in 2021 and \$2,167,619 in 2020	\$ 25,595,353	\$ 24,391,175
Electronic health record incentive revenue	-	34,000
Other revenues	<u>1,937,275</u>	<u>1,621,434</u>
Total operating revenues	<u>27,532,628</u>	<u>26,046,609</u>
Operating Expenses		
Salaries and wages	13,621,610	13,297,519
Employee benefits	7,676,761	7,418,466
Purchased services, professional fees, and supplies	8,485,955	7,181,793
Depreciation and amortization	<u>1,151,648</u>	<u>1,093,675</u>
Total operating expenses	<u>30,935,974</u>	<u>28,991,453</u>
Operating Loss	<u>(3,403,346)</u>	<u>(2,944,844)</u>
Non-Operating Revenues (Expenses)		
Property taxes	1,229,874	1,054,643
Interest income	177,838	222,696
Rental income	30,216	101,274
Trust income	45,691	41,991
Non-operating grant revenue	3,805,246	174,653
PPP loan forgiveness	2,999,350	-
Interest expense	<u>(574,233)</u>	<u>(603,215)</u>
Non-operating revenues, net	<u>7,713,982</u>	<u>992,042</u>
Revenues in Excess of (Less Than) Expenses before Grants and Contributions	4,310,636	(1,952,802)
Capital Grants and Contributions		
Capital contribution revenue	<u>7,503</u>	<u>23,178</u>
Change in Net Position	4,318,139	(1,929,624)
Net Position, Beginning of Year	<u>(3,553,133)</u>	<u>(1,623,509)</u>
Net Position, End of Year	<u>\$ 765,006</u>	<u>\$ (3,553,133)</u>

Harney County Health District
 Statements of Activities – Discretely Presented Component Unit
 Harney Hospital Foundation
 Years Ended December 31, 2020 and 2019

	2020	2019
Support and Revenue Without Donor Restrictions		
Support and revenue		
Contributions	\$ 42,407	\$ 19,028
In-kind contributions	59,762	48,257
Revenues from EOCCO	593,639	441,404
Net investment gain	17,599	20,176
Total support and revenue	713,407	528,865
Expenses		
Contributions	1,307,602	12,864
Program and fundraising	5,393	-
General services and administrative	59,762	48,257
Total expenses	1,372,757	61,121
Change in Net Assets Without Donor Restrictions	(659,350)	467,744
Net Assets, Beginning of Year	925,194	457,450
Net Assets, End of Year	\$ 265,844	\$ 925,194

Harney County Health District
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 24,534,490	\$ 24,594,304
Receipts from other operating revenues	1,514,534	2,135,138
Payments to and on behalf of employees	(18,170,672)	(17,631,084)
Payments to suppliers, contractors and others	<u>(8,336,266)</u>	<u>(6,990,374)</u>
Net Cash from (used for) Operating Activities	<u>(457,914)</u>	<u>2,107,984</u>
Non-Capital Financing Activities		
Receipts from advance payments	-	5,267,532
Receipts from payroll protection program	-	2,999,350
Receipts from refundable provider relief funds	-	4,272,635
Receipts from taxation	1,255,171	1,051,943
Receipts from non-operating grants	687,884	174,653
Proceeds from trust	45,691	41,991
Recoupment of advance payments	<u>(319,379)</u>	<u>-</u>
Net Cash from Non-Capital Financing Activities	<u>1,669,367</u>	<u>13,808,104</u>
Capital and Related Financing Activities		
Purchase of capital assets	(1,376,082)	(1,057,228)
Principal payments on capital lease obligations	(19,298)	(38,511)
Receipts from contributions	7,503	23,178
Principal payments on long-term debt	(634,108)	(609,538)
Interest paid	<u>(577,311)</u>	<u>(607,529)</u>
Net Cash used for Capital and Related Financing Activities	<u>(2,599,296)</u>	<u>(2,289,628)</u>
Investing Activities		
Receipts from rental properties	30,216	101,274
Issuance of notes receivable	(10,677)	-
Cash received for notes receivable	-	1,052
Interest income	<u>177,838</u>	<u>222,696</u>
Net Cash from Investing Activities	<u>197,377</u>	<u>325,022</u>
Net Change in Cash and Cash Equivalents	(1,190,466)	13,951,482
Cash and Cash Equivalents, Beginning of Year	<u>22,135,111</u>	<u>8,183,629</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,944,645</u>	<u>\$ 22,135,111</u>

Harney County Health District
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Cash and Cash Equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 342,184	\$ 1,353,729
Cash received from CMS and provider relief funds	6,103,426	9,540,167
Cash equivalents in external investment pool	14,006,939	10,753,548
Noncurrent cash equivalents in external investment pool	492,096	487,667
	\$ 20,944,645	\$ 22,135,111
Reconciliation of Operating Loss to net cash from (used for) operating activities		
Operating loss	\$ (3,403,346)	\$ (2,944,844)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation and amortization	1,151,648	1,093,675
Provision for bad debts and charity care	2,371,209	2,370,452
Pension expense	3,192,486	2,853,309
Deferred outflow of resources - bond refunding	(9,136)	(9,137)
Changes in operating assets and liabilities		
Receivables		
Patient accounts	(3,632,026)	(1,936,107)
Other	(413,605)	488,841
Estimated third-party payor settlements	227,158	(135,674)
Supplies	92,210	(161,344)
Prepaid expenses	20,674	5,871
Accounts payable		
Trade	36,805	346,892
Estimated third-party payor settlements	(27,204)	(95,542)
Accrued expenses		
Salaries and wages	31,426	8,516
Paid time off	(59,574)	61,521
Employee benefit plans	(66,627)	159,433
Payroll taxes	29,988	2,122
	\$ (457,914)	\$ 2,107,984
Supplemental Disclosure of Non-Cash Non-Capital Financing Activity		
PPP loan forgiveness	\$ 2,999,350	\$ -

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Harney County Health District (the District or Hospital) 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.

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, 2021 and 2020 for programs totaled \$4,533. Restricted expendable net position at June 30, 2021 and 2020 for debt service totaled \$484,629.

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, 2021 and 2020.

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.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

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, 2021 and 2020, notes receivable from physicians and employees totaled \$85,159 and \$74,482, 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 statements 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 \$34,000 for the year ended June 30, 2020, by amortizing the deferred revenue into electronic health record incentive revenue.

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 pension plan and deferred refunding costs. The pension plan results from the difference between the expected and actual experience of the pension plan. 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 and forgiveness of PPP loan, 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 \$22,000 and \$34,000, for the years ended June 30, 2021 and 2020, 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.

Grants and Contributions

The District may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

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, 2019. 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, 2019.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Medicare	44%	46%
Medicaid	21%	24%
Commercial insurance and other third party payors	32%	28%
Patients	3%	2%
	<u>100%</u>	<u>100%</u>

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 net patient service revenue for the years ended June 30, 2021 and 2020, decreased \$5,000 and \$44,000, respectively, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

The District participates in the Eastern Oregon Coordinated Care Organization (EOCCO), which is a Coordinated Care Organization serving Oregon Health Plan members. The District receives amounts related to the EOCCO alternative payment model/shared savings risk contract. As of June 30, 2021 and 2020, there were receivable amounts of \$668,987 and \$203,063, respectively. These amounts are included in other receivables in the statements of net position. Additional EOCCO funds will be recorded as received.

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.

Advanced Payments

The CMS Advanced Payments balance consists of advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Hospital received \$5,267,532 in advanced payments during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of the advanced payment. This recoupment process will continue until the balance of the advanced payment has been recouped

or for 29 months from the date that the advanced payment was issued, at which point any remaining unpaid balance is due. The advanced payment balance is non-interest bearing through the 29-month repayment period. The portion expected to be recouped in the next 12 months is included in current liabilities and the portion expected to be recouped in greater than 12 months is presented in long-term liabilities in the accompanying statement of net position.

Note 3 - Provider Relief Funds

The Hospital received \$4,272,635 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has deadlines to incur eligible expenses and lost revenue, which vary based on the date the funds are received. Unexpended provider relief funds held thereafter would be subject to repayment.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2021 and 2020, the Hospital had liability balances of \$1,155,273 and \$4,272,635, respectively, which were included in current liabilities on the accompanying statement of net position, as well as restricted cash totaling \$1,155,273 and \$4,272,635, respectively, which is subject to the restrictions imposed by HHS. During the year ended June 30, 2021, the Hospital recognized \$3,117,362 as revenue, included in non-operating grant revenue of \$3,805,246 on the statements of revenues, expenses, and changes in net position.

Note 4 - Deposits, Investments, and Investment Income

Summary of Carrying Amounts

The carrying amounts of deposits and the Local Government Investment Pool as of June 30, 2021 and 2020 are as follows:

	2021	2020
Carrying Amount		
Cash and cash equivalents	\$ 6,445,610	\$ 10,893,896
Local Government External Investment Pool	14,499,035	11,241,215
	\$ 20,944,645	\$ 22,135,111

The carrying amounts of the District's deposits and investments shown above are included in the statements of net position at June 30, 2021 and 2020 are as follows:

	2021	2020
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 342,184	\$ 1,353,729
Cash received from CMS and provider relief funds	6,103,426	9,540,167
Cash equivalents in external investment pool	14,006,939	10,753,548
Noncurrent board designated for capital improvement	2,934	2,911
Restricted for outreach programs	4,533	127
USDA debt reserve fund	484,629	484,629
Total	\$ 20,944,645	\$ 22,135,111

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, 2021 and 2020, 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, 2021 and 2020, the LGIP was not rated by an independent rating agency. The District’s investments in LGIP at June 30, 2021 and 2020 and related maturities were as follows:

	Maturities	2021	2020
Oregon State Local Government Investment Pool	Daily	\$ 14,499,035	\$ 11,241,215

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 5 - Capital Assets

Capital asset additions, transfers, retirements and balances for year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions / Transfers	Retirements	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 135,966	\$ 30,106	\$ -	\$ 166,072
Construction in process	333,226	(264,293)	-	68,933
	<u>469,192</u>	<u>(234,187)</u>	<u>-</u>	<u>235,005</u>
Capital assets being depreciated				
Buildings	22,456,000	1,083,437	-	23,539,437
Equipment	7,350,049	526,830	(18,788)	7,858,091
Total capital assets being depreciated	<u>29,806,049</u>	<u>1,610,267</u>	<u>(18,788)</u>	<u>31,397,528</u>
Less Accumulated Depreciation	<u>19,845,069</u>	<u>1,151,648</u>	<u>(18,790)</u>	<u>20,977,927</u>
Capital Assets, Net	<u>\$ 10,430,172</u>	<u>\$ 224,432</u>	<u>\$ 2</u>	<u>\$ 10,654,606</u>

Capital assets additions, transfers, retirements and balances for year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Additions / Transfers	Retirements	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 110,538	\$ 25,428	\$ -	\$ 135,966
Construction in process	-	333,226	-	333,226
	<u>110,538</u>	<u>358,654</u>	<u>-</u>	<u>469,192</u>
Capital assets being depreciated				
Buildings	22,145,410	310,590	-	22,456,000
Equipment	9,351,807	387,984	(2,389,742)	7,350,049
Total capital assets being depreciated	<u>31,497,217</u>	<u>698,574</u>	<u>(2,389,742)</u>	<u>29,806,049</u>
Less Accumulated Depreciation	<u>21,141,136</u>	<u>1,093,675</u>	<u>(2,389,742)</u>	<u>19,845,069</u>
Capital Assets, Net	<u>\$ 10,466,619</u>	<u>\$ (36,447)</u>	<u>\$ -</u>	<u>\$ 10,430,172</u>

Note 6 - Lease Obligations

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

	2021	2020
Equipment laboratory	\$ 177,454	\$ 177,454
Less accumulated amortization	(147,785)	(131,980)
	\$ 29,669	\$ 45,474

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

Years Ending June 30,	Amount
2022	\$ 22,080
2023	9,201
Total minimum lease payments	31,281
Less interest	(4,440)
Present value of minimum lease payments	\$ 26,841

Note 7 - Long-Term Debt

A schedule of changes in the District's long-term liabilities for the years ended June 30, 2021 and 2020 are as follows:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Bank of Eastern Oregon	\$ 2,494,820	\$ -	\$ (194,234)	\$ 2,300,586	\$ 203,157
2018 Refunded State of Oregon Economic and Community Development #2	2,189,060	-	(135,118)	2,053,942	146,172
US Department of Agriculture	7,795,554	-	(159,756)	7,635,798	166,411
2018 Refunded US Bank	1,122,000	-	(145,000)	977,000	151,000
Payroll Protection Program	<u>2,999,350</u>	<u>-</u>	<u>(2,999,350)</u>	<u>-</u>	<u>-</u>
Total bonds and notes	<u>\$16,600,784</u>	<u>\$ -</u>	<u>\$ (3,633,458)</u>	<u>\$12,967,326</u>	<u>\$ 666,740</u>
	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Bank of Eastern Oregon	\$ 2,679,898	\$ -	\$ (185,078)	\$ 2,494,820	\$ 194,234
2018 Refunded State of Oregon Economic and Community Development #2	2,323,183	-	(134,123)	2,189,060	135,118
US Department of Agriculture	7,948,891	-	(153,337)	7,795,554	159,767
2018 Refunded US Bank	1,259,000	-	(137,000)	1,122,000	145,000
Payroll Protection Program	<u>-</u>	<u>2,999,350</u>	<u>-</u>	<u>2,999,350</u>	<u>1,319,136</u>
Total bonds and notes	<u>\$14,210,972</u>	<u>\$ 2,999,350</u>	<u>\$ (609,538)</u>	<u>\$16,600,784</u>	<u>\$ 1,953,255</u>

The terms and due dates of the District's long-term debt at June 30, 2021 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, 2021 and 2020 was \$2,300,586 and \$2,494,820, respectively.

During 2018, the Hospital refunded debt in the amount of \$2,476,377, due in annual principal installments of amounts ranging from \$146,000 to \$235,000, and semi-annual variable rate interest payments of 5.0% through December 2031. The note is collateralized by the hospital building. Outstanding balance of the note payable at June 30, 2021 and 2020 was \$2,053,942 and \$2,189,060, 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 4.5%, 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, 2021 and 2020 was \$855,406 and \$870,578, 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, 2021 and 2020 was \$6,762,637 and \$6,890,178, 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, 2021 and 2020 was \$17,755 and \$34,798, respectively.

During 2018, the Hospital refunded debt in the amount of \$1,280,000, due in annual principal installments of amounts ranging from \$145,000 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, 2021 and 2020 was \$977,000 and \$1,122,000, 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.

The District was granted a \$2,999,350 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The District initially recorded a note payable and subsequently recorded forgiveness when the loan was legally released by the SBA and lender. The District recognized \$2,999,350 of loan forgiveness income for the year ended June 30, 2021.

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 \$36,942,543 for the year. At June 30, 2021, pledged future revenues totaled \$13,048,037, 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 \$36,942,543 for the year. At June 30, 2021, pledged future revenues totaled \$18,519, 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>
2022	\$ 666,740	\$ 558,661
2023	691,097	536,961
2024	682,519	493,620
2025	749,866	475,496
2026	765,017	437,497
2027-2031	3,357,571	1,530,457
2032-2036	1,450,054	1,115,536
2037-2041	1,490,152	851,905
2042-2046	1,827,646	502,909
2047-2049	1,286,664	108,600
	<u>\$12,967,326</u>	<u>\$ 6,611,642</u>
Total		

Note 8 - 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.

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 July 1, 2017. Employer contributions for the year ended June 30, 2021 were \$2,006,776, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2021 were 16.73 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, 2021, the District reported a liability of \$22,536,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 and rolled forward to June 30, 2020. 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, 2020, the District's proportion was 0.10326534 percent, which changed from the 0.10425561 percent measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,192,486. At June 30, 2021, 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	\$ 991,859	\$ -
Changes of assumptions or other inputs	1,209,439	42,376
Net difference between projected and actual earnings on pension plan investments	2,649,947	-
Changes in proportionate share	707,842	116,396
Differences between employer contributions and employer's proportionate share of system contributions	-	862,947
Contributions subsequent to the measurement date	2,006,776	-
	<u>\$ 7,565,863</u>	<u>\$ 1,021,719</u>
Total		

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,	Amount
2022	\$ 1,068,992
2023	1,382,504
2024	1,286,014
2025	818,922
2026	(19,064)
	<u>\$ 4,537,368</u>

Actuarial Assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2020 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Experience Study Report	2018, published July 24, 2019
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
Long-term expected rate of return and Discount Rate	7.2 percent
Projected Salary Increases	3.5 percent overall payroll growth
Cost-of-living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

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 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

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 2018 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>20-year Annualized Geometric Mean</u>
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leverage Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
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 (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share	\$ 33,464,172	\$ 22,536,049	\$ 13,372,312

Note 9 - 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, 2021 and 2020 was as follows:

	2021	2020
Medicare	37%	31%
Medicaid	16%	16%
Commercial insurance and other third party payors	30%	28%
Patients	17%	25%
	100%	100%

Note 10 - 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.

COVID-19 Pandemic

During 2020 and 2021, the world-wide coronavirus pandemic impacted national and global economies. The District is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the District is not known.

Paycheck Protection Program (PPP) Loan Review

The District applied for and received loan forgiveness from the SBA on its PPP loan. In accordance with PPP loan requirements, the District is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The District is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

Note 11 - Transfers

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ (1,306,285)
Medical Office Building Sub-Fund	1,351,976	-
Capital Trust Sub-Fund	-	(45,691)
	\$ 1,351,976	\$ (1,351,976)

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, 2021 and 2020

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
2021	0.10326534%	\$ 22,536,049	\$ 11,992,370	187.92%	75.8%
2020	0.10425561%	18,033,724	12,581,795	143.33%	80.2%
2019	0.09605782%	14,551,495	12,516,523	116.26%	82.1%
2018	0.09562587%	12,890,403	10,757,913	119.82%	83.1%
2017	0.09187897%	13,793,167	10,350,050	133.27%	80.5%
2016	0.08710214%	5,000,936	10,317,663	48.47%	88.4%
2015	0.06738475%	(1,527,420)	9,362,004	-16.32%	103.6%
2014	0.06738475%	3,438,743	8,332,845	41.27%	92.0%

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
2021	\$ 1,126,444	\$ 1,126,444	\$ -	\$ 11,992,370	9.39%
2020	1,382,103	1,382,103	-	12,581,795	10.98%
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:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2014/GASB-Disclosure-Information.pdf>

Changes of Assumptions

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2018 Experience Study for the System, which was published on July 24, 2019, and can be found at:

<https://www.oregon.gov/pers/Documents/2018-Exp-Study.pdf>



Supplementary Information
June 30, 2021 and 2020

Harney County Health District

Harney County Health District
Schedule of Resources and Expenditures – Budget vs. Actual – District Operating Fund
Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Net working capital, beginning of year	\$ 17,951,712	\$ 396,091	\$ (17,555,621)
Net operating revenue	21,045,470	27,532,628	6,487,158
Property taxes	1,153,583	1,229,874	76,291
Grants/contributions/other non-operating	98,780	3,842,965	3,744,185
Interest	265,000	177,838	(87,162)
	\$ 40,514,545	33,179,396	\$ (7,335,149)
Expenditures			
Personnel services	\$ 19,576,617	16,210,966	\$ 3,365,651
Materials and services	6,823,158	8,485,955	(1,662,797)
Capital outlay	505,607	1,610,267	(1,104,660)
Debt service	1,239,852	1,014,690	225,162
Transfers to other funds	-	1,306,285	(1,306,285)
Net working capital, end of year	12,369,311	2,659,190	9,710,121
	\$ 40,514,545	31,287,353	\$ 9,227,192
Resources in Excess of Expenditures		1,892,043	
Reconciliation of Statutory Operating Expenditures to GAAP Basis Operating Expenses			
Add net working capital, end of year		2,659,190	
Add capital asset additions		1,610,267	
Add long-term debt principal reductions		489,108	
Add forgiveness of PPP loan		2,999,350	
Less net working capital, beginning of year		(396,091)	
Less pension expense		(5,087,405)	
Less depreciation and amortization		(1,067,235)	
Total effects of reconciliation		1,207,184	
Change in Net Position		3,099,227	
Net Position, Beginning of Year		(2,335,219)	
Net Position, End of Year		\$ 764,008	

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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Resources			
Net working capital, beginning of year	\$ -	\$ (1,070,256)	\$ (1,070,256)
Transfers from other funds	30,000	1,351,976	1,321,976
	<u>\$ 30,000</u>	<u>281,720</u>	<u>\$ 251,720</u>
Expenditures			
Debt service	\$ 184,772	193,651	\$ (8,879)
Net working capital, end of year	-	97,785	(97,785)
	<u>\$ 184,772</u>	<u>291,436</u>	<u>\$ (106,664)</u>
Expenditures in Excess of Resources		<u>(9,716)</u>	
Reconciliation of Statutory Operating Expenditures to GAAP Basis Operating Expenses			
Add net working capital, end of year		97,785	
Add long-term debt principal reductions		145,000	
Less net working capital, beginning of year		1,070,256	
Less depreciation and amortization		(84,413)	
		<u>1,228,628</u>	
Change in Net Position		1,218,912	
Net Position, Beginning of Year		<u>(1,217,914)</u>	
Net Position, End of Year		<u>\$ 998</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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Resources			
Trust income	<u>\$ 30,000</u>	<u>\$ 45,691</u>	<u>\$ 15,691</u>
Expenditures			
Transfers to other funds	<u>\$ 30,000</u>	<u>45,691</u>	<u>\$ (15,691)</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, 2021

Fiscal Year	Uncollected Taxes June 30, 2020	2018-19 Assessment	(Abatements) and Adjustments	Interest Collected	Discounts	Total Amount Collected	Uncollected Taxes June 30, 2021
2020-2021	\$ -	\$ 1,250,419	\$ (3,399)	\$ 297	\$ (29,728)	\$ (1,173,688)	\$ 43,901
2019-2020	54,605	-	(19)	1,312	-	(26,945)	28,953
2018-2019	27,405	-	(140)	1,420	-	(12,830)	15,855
2017-2018	14,774	-	-	1,707	-	(10,286)	6,195
2016-2017	8,124	-	(100)	1,052	(177)	(8,305)	594
2015 and prior	16,094	-	(52)	292	(931)	(15,196)	207
Total	<u>\$ 121,002</u>	<u>\$ 1,250,419</u>	<u>\$ (3,710)</u>	<u>\$ 6,080</u>	<u>\$ (30,836)</u>	<u>\$ (1,247,250)</u>	<u>\$ 95,705</u>

Harney County Health District
Statement of Net Position – Combining
June 30, 2021

	Operating	Capital Trust	Medical Office Building	Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 342,184	\$ -	\$ -	\$ 342,184
Cash received from CMS and provider relief funds	6,103,426	-	-	6,103,426
Cash equivalents in external investment pool	13,909,154	-	97,785	14,006,939
Receivables				
Patient, net of estimated uncollectibles of \$608,000	4,844,323	-	-	4,844,323
Estimated third-party payor settlements	481,094	-	-	481,094
Property taxes	95,705	-	-	95,705
Other	688,607	-	-	688,607
Supplies	479,142	-	-	479,142
Prepaid expenses	255,756	-	-	255,756
Total current assets	27,199,391	-	97,785	27,297,176
Noncurrent Cash Equivalents in External Investment Pool				
Internally designated for specific operating purposes and capital improvements	2,934	-	-	2,934
Restricted for outreach programs	4,533	-	-	4,533
USDA debt reserve fund	484,629	-	-	484,629
Noncurrent cash equivalents in external investment pool	492,096	-	-	492,096
Capital Assets				
Capital assets not being depreciated	235,005	-	-	235,005
Capital assets being depreciated, net	9,592,817	-	826,784	10,419,601
Total capital assets	9,827,822	-	826,784	10,654,606
Other Assets				
Notes receivable	85,159	-	-	85,159
Total other assets	85,159	-	-	85,159
Total assets	37,604,468	-	924,569	38,529,037
Deferred Outflows of Resources				
Pension	7,565,863	-	-	7,565,863
Total assets and deferred outflows of resources	\$ 45,170,331	\$ -	\$ 924,569	\$ 46,094,900

Harney County Health District
Statement of Net Position – Combining
June 30, 2021

	Operating	Capital Trust	Medical Office Building	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Current maturities of capital leases	\$ 18,107	\$ -	\$ -	\$ 18,107
Current maturities of long-term debt	515,740	-	151,000	666,740
Current maturities paycheck protection program	-	-	-	-
Refundable advance provider relief funds	1,155,273	-	-	1,155,273
CMS advance payments	3,018,373	-	-	3,018,373
Accounts payable				
Trade	686,711	-	-	686,711
Accrued expenses				
Salaries and wages	369,932	-	-	369,932
Paid time off	703,213	-	-	703,213
Interest	50,939	-	-	50,939
Employee benefit plans	512,082	-	-	512,082
Payroll taxes	207,152	-	-	207,152
Total current liabilities	<u>7,237,522</u>	<u>-</u>	<u>151,000</u>	<u>7,388,522</u>
Long-Term Liabilities				
Capital leases, net of current maturities	8,734	-	-	8,734
Long-term debt, net of current maturities	11,474,586	-	826,000	12,300,586
CMS advance payments, net of current portion	1,929,780	-	-	1,929,780
Net pension liability	22,536,049	-	-	22,536,049
Total long-term liabilities	<u>35,949,149</u>	<u>-</u>	<u>826,000</u>	<u>36,775,149</u>
Total liabilities	<u>43,186,671</u>	<u>-</u>	<u>977,000</u>	<u>44,163,671</u>
Deferred Inflow of Resources				
Refunding costs	197,933	-	(53,429)	144,504
Pension plan	1,021,719	-	-	1,021,719
Total deferred inflow of resources	<u>1,219,652</u>	<u>-</u>	<u>(53,429)</u>	<u>1,166,223</u>
Net Position				
Net investment in capital assets	(2,387,278)	-	(96,787)	(2,484,065)
Restricted				
Expendable for programs	4,533	-	-	4,533
Expendable for debt service	484,629	-	-	484,629
Unrestricted				
Board designated for capital improvement	2,934	-	-	2,934
Unrestricted	2,659,190	-	97,785	2,756,975
Total net position	<u>764,008</u>	<u>-</u>	<u>998</u>	<u>765,006</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 45,170,331</u>	<u>\$ -</u>	<u>\$ 924,569</u>	<u>\$ 46,094,900</u>

Harney County Health District
Statement of Net Position – Combining
June 30, 2020

	<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	\$ 1,353,729	\$ -	\$ -	\$ 1,353,729
Cash received from CMS and provider relief funds	9,540,167	-	-	9,540,167
Cash equivalents in external investment pool	11,823,804	-	(1,070,256)	10,753,548
Receivables				
Patient, net of estimated uncollectibles of \$632,000	3,583,506	-	-	3,583,506
Estimated third-party payor settlements	708,252	-	-	708,252
Property taxes	121,002	-	-	121,002
Other	275,002	-	-	275,002
Supplies	571,352	-	-	571,352
Prepaid expenses	276,430	-	-	276,430
Total current assets	<u>28,253,244</u>	<u>-</u>	<u>(1,070,256)</u>	<u>27,182,988</u>
Noncurrent Cash Equivalents in External Investment Pool				
Internally designated for specific operating purposes and capital improvements	2,911	-	-	2,911
Restricted for outreach programs	127	-	-	127
USDA debt reserve fund	484,629	-	-	484,629
Noncurrent cash equivalents in external investment pool	<u>487,667</u>	<u>-</u>	<u>-</u>	<u>487,667</u>
Capital Assets				
Capital assets not being depreciated	469,192	-	-	469,192
Capital assets being depreciated, net	9,049,784	-	911,196	9,960,980
Total capital assets	<u>9,518,976</u>	<u>-</u>	<u>911,196</u>	<u>10,430,172</u>
Other Assets				
Notes receivable	74,482	-	-	74,482
Total other assets	<u>74,482</u>	<u>-</u>	<u>-</u>	<u>74,482</u>
Total assets	<u>38,334,369</u>	<u>-</u>	<u>(159,060)</u>	<u>38,175,309</u>
Deferred Outflows of Resources - Pension				
Total assets and deferred outflows of resources	<u>\$ 44,689,068</u>	<u>\$ -</u>	<u>\$ (159,060)</u>	<u>\$ 44,530,008</u>

Harney County Health District
Statement of Net Position – Combining
June 30, 2020

	Operating	Capital Trust	Medical Office Building	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Current maturities of capital leases	\$ 19,299	\$ -	\$ -	\$ 19,299
Current maturities of long-term debt	489,119	-	145,000	634,119
Current maturities paycheck protection program	1,319,136	-	-	1,319,136
Refundable advance provider relief funds	4,272,635	-	-	4,272,635
CMS advance payments	5,267,532	-	-	5,267,532
Accounts payable				
Trade	649,906	-	-	649,906
Estimated third-party payor settlements	27,204	-	-	27,204
Accrued expenses				
Salaries and wages	338,506	-	-	338,506
Paid time off	762,787	-	-	762,787
Interest	54,017	-	-	54,017
Employee benefit plans	578,709	-	-	578,709
Payroll taxes	177,164	-	-	177,164
Total current liabilities	<u>13,956,014</u>	<u>-</u>	<u>145,000</u>	<u>14,101,014</u>
Long-Term Liabilities				
Capital leases, less current maturities	26,840	-	-	26,840
Long-term debt, less current maturities	11,990,315	-	977,000	12,967,315
Net pension liability	18,033,724	-	-	18,033,724
Paycheck protection program loan	1,680,214	-	-	1,680,214
Total long-term liabilities	<u>31,731,093</u>	<u>-</u>	<u>977,000</u>	<u>32,708,093</u>
Total liabilities	<u>45,687,107</u>	<u>-</u>	<u>1,122,000</u>	<u>46,809,107</u>
Deferred Inflows of Resources				
Refunding costs	216,783	-	(63,143)	153,640
Pension plan	1,120,394	-	-	1,120,394
Total deferred inflows of resources	<u>1,337,177</u>	<u>-</u>	<u>(63,143)</u>	<u>1,274,034</u>
Net Position				
Net investment in capital assets	(3,223,380)	-	(147,661)	(3,371,041)
Restricted				
Expendable for programs	4,533	-	-	4,533
Expendable for debt service	484,629	-	-	484,629
Unrestricted				
Board designated for capital improvement	2,911	-	-	2,911
Unrestricted	396,091	-	(1,070,256)	(674,165)
Total net position	<u>(2,335,216)</u>	<u>-</u>	<u>(1,217,917)</u>	<u>(3,553,133)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 44,689,068</u>	<u>\$ -</u>	<u>\$ (159,060)</u>	<u>\$ 44,530,008</u>

Harney County Health District
Statement of Revenues and Expenses and Changes in Net Position – Combining
Year Ended June 30, 2021

	Operating	Capital Trust	Medical Office Building	Total
Operating Revenues				
Net patient revenue	\$ 25,595,353	\$ -	\$ -	\$ 25,595,353
Other operating revenues	1,937,275	-	-	1,937,275
Total operating revenues	<u>27,532,628</u>	<u>-</u>	<u>-</u>	<u>27,532,628</u>
Operating Expenses				
Salaries and wages	13,621,610	-	-	13,621,610
Employee benefits	7,676,761	-	-	7,676,761
Purchased services, professional fees, and supplies	8,485,955	-	-	8,485,955
Depreciation and amortization	1,067,235	-	84,413	1,151,648
Total operating expenses	<u>30,851,561</u>	<u>-</u>	<u>84,413</u>	<u>30,935,974</u>
Operating Loss	<u>(3,318,933)</u>	<u>-</u>	<u>(84,413)</u>	<u>(3,403,346)</u>
Non-Operating Revenues (Expenses)				
Property taxes	1,229,874	-	-	1,229,874
Interest income	177,838	-	-	177,838
Rental income	30,216	-	-	30,216
Trust income	-	45,691	-	45,691
Non-operating grant revenue	3,805,246	-	-	3,805,246
PPP loan forgiveness	2,999,350	-	-	2,999,350
Transfers from other funds	-	-	1,351,976	1,351,976
Transfers to other funds	(1,306,285)	(45,691)	-	(1,351,976)
Interest expense	(525,582)	-	(48,651)	(574,233)
Non-operating revenues (expenses), net	<u>6,410,657</u>	<u>-</u>	<u>1,303,325</u>	<u>7,713,982</u>
Revenues in Excess of (Less Than) Expenses Before Capital Grants and Contributions	3,091,724	-	1,218,912	4,310,636
Capital Grants and Contributions				
Capital contribution revenue	7,503	-	-	7,503
Change in Net Position	3,099,227	-	1,218,912	4,318,139
Net Position, Beginning of Year	<u>(2,335,219)</u>	<u>-</u>	<u>(1,217,914)</u>	<u>(3,553,133)</u>
Net Position, End of Year	<u>\$ 764,008</u>	<u>\$ -</u>	<u>\$ 998</u>	<u>\$ 765,006</u>

Harney County Health District
Statement of Revenues and Expenses and Changes in Net Position – Combining
Year Ended June 30, 2020

	Operating	Capital Trust	Medical Office Building	Total
Operating Revenues				
Net patient revenue	\$ 24,391,175	\$ -	\$ -	\$ 24,391,175
Electronic health record incentive revenue	34,000	-	-	34,000
Other operating revenues	1,621,434	-	-	1,621,434
Total operating revenues	<u>26,046,609</u>	<u>-</u>	<u>-</u>	<u>26,046,609</u>
Operating Expenses				
Salaries and wages	13,297,519	-	-	13,297,519
Employee benefits	7,418,466	-	-	7,418,466
Purchased services, professional fees, and supplies	7,181,793	-	-	7,181,793
Depreciation and amortization	1,019,615	-	74,060	1,093,675
Total operating expenses	<u>28,917,393</u>	<u>-</u>	<u>74,060</u>	<u>28,991,453</u>
Operating Loss	<u>(2,870,784)</u>	<u>-</u>	<u>(74,060)</u>	<u>(2,944,844)</u>
Non-Operating Revenues (Expenses)				
Property taxes	1,054,643	-	-	1,054,643
Interest income	222,696	-	-	222,696
Gain on sale of capital assets	-	-	-	-
Rental income	101,274	-	-	101,274
Trust income	-	41,991	-	41,991
Non-operating grant revenue	174,653	-	-	174,653
Transfers from other funds	-	-	41,991	41,991
Transfers to other funds	-	(41,991)	-	(41,991)
Interest expense	(549,333)	-	(53,882)	(603,215)
Non-operating revenues (expenses), net	<u>1,003,933</u>	<u>-</u>	<u>(11,891)</u>	<u>992,042</u>
Revenues in Excess of (Less Than) Expenses Before Capital Grants and Contributions	(1,866,851)	-	(85,951)	(1,952,802)
Capital Grants and Contributions				
Capital contribution revenue	23,178	-	-	23,178
Change in Net Position	(1,843,673)	-	(85,951)	(1,929,624)
Net Position, Beginning of Year	(491,546)	-	(1,131,963)	(1,623,509)
Net Position, End of Year	<u>\$ (2,335,219)</u>	<u>\$ -</u>	<u>\$ (1,217,914)</u>	<u>\$ (3,553,133)</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, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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 over financial reporting was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
December 13, 2021

Financial Statement Findings

2021 – 001 Financial Statement Preparation

Material Weakness

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, 2021

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, 2021, and have issued our report thereon dated December 13, 2021. 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	Not Applicable
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.

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.

- *2021-001 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
December 13, 2021