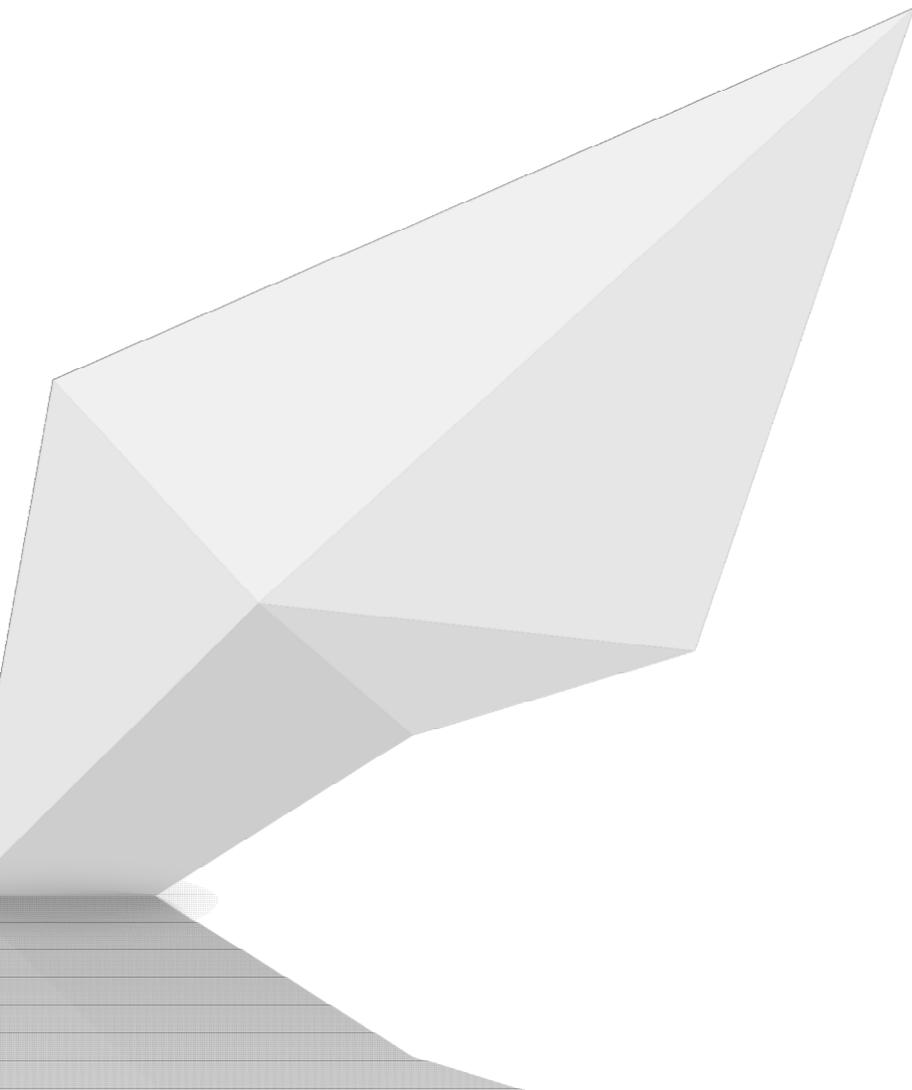


Morrow County Health District d/b/a Pioneer Memorial Hospital

Financial Statements and
Supplementary Information

Years Ended June 30, 2021 and 2020



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

Directory of Officials

June 30, 2021

	<u>Elected</u>	<u>Expiration</u>
Board of Directors:	John Murray PO Box 427 Heppner, OR 97836	June 2021
	Carri Grieb PO Box 395 Lexington, OR 97839	June 2023
	Aaron Palmquist PO Box 428 Irrigon, OR 97844	June 2023
	Diane Kilkenny 430 Frank Gilliam Drive Heppner, OR 97836	June 2021
	Marie Shimer PO Box 976 Boardman, OR 97818	June 2023

Appointed

Administrator: Emily Roberts

Mailing Address

District: Pioneer Memorial Hospital
PO Box 9
564 East Pioneer Drive
Heppner, OR 97836

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

Years Ended June 30, 2021 and 2020

Table of Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Financial Statements	
Statements of Net Position.....	12
Statements of Revenues, Expenses, and Changes in Net Position.....	14
Statements of Cash Flows.....	15
Notes to Financial Statements.....	17
Supplementary Information	
Schedule of Patient Service Revenue.....	38
Schedule of Operating Expenses and Interest Expense.....	39
Schedule of Resources and Expenditures - Budget and Actual.....	40
Schedule of Property Tax Transactions and Outstanding Balances.....	41
Schedule of Future Debt Service Requirements.....	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	43
Independent Auditor's Comments and Disclosures on Compliance in Accordance With the <i>Minimum Standards for Audits of Oregon Municipal Corporations</i>	45
Audit Comments and Disclosures Required by State Regulations.....	47

Independent Auditor's Report

Board of Directors
Morrow County Health District
d/b/a Pioneer Memorial Hospital
Heppner, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District"), as of and for the 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; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Morrow County Health District d/b/a Pioneer Memorial Hospital, as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4 through 11 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 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying information on pages 38 through 42 is presented for purposes of additional analysis and is also not a required part of the financial statements. The 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 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 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, and 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. We have also issued our report dated November 23, 2021, on the compliance of Morrow County Health District d/b/a Pioneer Memorial Hospital with Oregon laws and regulations.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated November 23, 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.

Wipfli LLP

Wipfli LLP

By:

Eric Volk

Eric Volk, CPA Oregon Municipal Auditor, Lic# 1637

November 23, 2021,
Spokane, Washington

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

Management's Discussion and Analysis

Years Ended June 30, 2021, 2020, and 2019

Introduction

Our discussion and analysis of the Morrow County Health District (MCHD) d/b/a Pioneer Memorial Hospital's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the financial statements that follow this analysis.

The District is a governmental entity and a political subdivision of the State of Oregon. The District was created by Order of the County Court of the State of Oregon for Morrow County on September 2, 1994. A public vote established the original tax base of \$485,000 on November 8, 1994. The District commenced providing services on July 1, 1995. Services include the 21-bed acute care hospital, swing bed skilled and non-skilled nursing, emergency room, ambulance, home health, hospice, three rural health clinics, and related ancillary services (lab, radiology, therapies, etc.) associated with these services.

A five-member Board of Directors governs the District. The members of the Board are elected for a term of four years. Elections are staggered so no more than 60% of the Board is up for election at one time. The Board is required to elect a chairman and vice chairman/secretary. One of their duties is to hire an administrator. The Board delegates the day-to-day operations of the District to the administrator.

The District is a municipal government entity. As such, the District levies and the county collects property taxes from property owners within the health district. This tax revenue is used to support the purpose of the District, which is to provide health care to the citizens. Tax support represents approximately 15% of District receipts.

The Governmental Accounting Standards Board (GASB) prescribes the financial reporting for the Hospital. This is the format followed by the District. The audit reports of the District are reviewed by the Oregon Secretary of State, Division of Audits.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

Financial Highlights

- ⇒ The District's net position increased by \$1,112,856 to \$9,683,310 and from \$5,920,465 in 2020 and \$5,920,465 in 2019. The increase in 2021 was primarily due to recognition of CARES Act related revenue.
- ⇒ Gross patient revenue increased by \$1,679,592, or 13%, in 2021 \$1,231,637, or 11%, in 2020, and \$640,650 or 6% in 2019 and net patient revenue increased by 14% in 2021, 6% in 2020, and 8% in 2019.
- ⇒ Net patient accounts receivable increased from \$1,624,402 in 2019 to \$1,836,027, decreased from \$1,836,027 in 2020 to \$1,639,810 in 2021.
- ⇒ Total nonoperating revenue - net, including property taxes, increased by \$4,124,499, or 150%, in 2021, increased by \$482,568, or 21%, in 2020, and increased by \$482,568, or 21%, in 2019.
- ⇒ The District's total overall operating expenses increased by \$1,841,741, or 12%, in 2021 \$1,717,434, or 13%, in 2020, and \$1,222,724 or 10% in 2019.
- ⇒ Capital asset expenditures, including construction in progress, were \$1,189,730 this year. The largest costs were associated with a new telemetry system. Other major purchases included the upgrade of the hospital's IT server room and the recent purchase of a building and property adjacent to the hospital's property.
- ⇒ The District voters approved an operating tax levy that began in fiscal year 2010. The voters approved an additional five-year operating levy in May 2014, which had an estimated five-year total tax revenue of \$2,950,000. The District recognized a total operating tax revenue of \$2,958,395 over the five years ending fiscal year 2019, which was just over the estimated amount. Voters approved an additional five-year levy in May 2019, which was approved at the same rate as the previous levy. The District's total tax revenue recognized was \$2,333,380 in 2021, \$2,129,531 in 2020, and \$1,951,914 in 2019.

Using This Annual Report

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The statements of net position on pages 12 and 13 and the statements of revenues, expenses, and changes in net position on page 14 report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's net position is the difference between its assets and liabilities reported on the statement of net position.

These two statements report the District's net position and annual changes to it. You can think of the District's net position as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position (Continued)

You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

Statements of Cash Flows

The final required statement is the statements of cash flows on page 15. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the statements of net position on pages 12 and 13. The District's net position increased by \$3,762,845 in 2021 due to the recognition of CARES Act related revenue, decreased by \$146,531 in 2020, and increased by \$452,707 in 2019, as reported in Table 2.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

Condensed financial information for the years ended June 30, 2021, 2020, and 2019, is as follows:

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

<i>June 30,</i>	2021	2020	2019	<u>2021-2020</u>		<u>2020-2019</u>	
				\$ Change	% Change	\$ Change	% Change
Assets:							
Other Assets	\$ 9,955	\$ 11,293	\$ 5,186	\$ (1,338)	-11.85 %	\$ 6,107	117.76 %
Capital Assets	4,863	4,349	4,273	514	11.82 %	76	1.78 %
Total assets	\$14,818	\$15,642	\$ 9,459	\$ (824)	-5.27 %	\$ 6,183	65.37 %
Liabilities:							
Other liabilities	\$ 3,113	\$ 5,592	\$ 964	\$ (2,479)	-44.33 %	\$ 4,628	480.08 %
Long-term liabilities	2,022	4,129	2,428	(2,107)	-51.03 %	1,701	70.06 %
Total liabilities	\$ 5,135	\$ 9,721	\$ 3,392	\$ (4,586)	-47.18 %	\$ 6,329	186.59 %
Net position:							
Unrestricted	\$ 5,971	\$ 3,362	\$ 3,723	\$ 2,609	77.60 %	\$ (361)	-9.70 %
Net investment in capital assets	2,841	2,009	1,845	832	41.41 %	164	8.89 %
Restricted	871	550	499	321	58.36 %	51	10.22 %
Total net position	\$ 9,683	\$ 5,921	\$ 6,067	\$ 3,762	63.54 %	\$ (146)	-2.41 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

Operating Results and Changes in the District's Net Position

The District's net position increased by \$3,762,845 in 2021 due to the recognition of CARES Act related revenue, decreased by \$146,531 in 2020, and increased by \$452,707 in 2019 as reported in Table 2.

Table 2: Condensed Statements of Revenues, Expenses and Changes in Net Position (In Thousands)

<i>For the years ended June 30,</i>	2021	2020	2019	<u>2021-2020</u>		<u>2020-2019</u>	
				\$ Change	% Change	\$ Change	% Change
Operating revenue:							
Net patient service revenue	\$ 13,244	\$ 11,645	\$ 10,942	\$ 1,599	13.73 %	\$ 703	6.42 %
Other operating income	397	374	267	23	6.15 %	107	40.07 %
Total operating revenue	13,641	12,019	11,209	1,622	13.50 %	810	7.23 %
Operating expenses:							
Salaries and benefits	12,356	11,145	9,572	1,211	10.87 %	1,573	16.43 %
Depreciation and amortization	668	612	494	56	9.15 %	118	23.89 %
Supplies	1,310	1,167	1,199	143	12.25 %	(32)	-2.67 %
Other operating expenses	2,701	2,257	2,183	444	19.67 %	74	3.39 %
Total operating expenses	17,035	15,181	13,448	1,854	12.21 %	1,733	12.89 %
Operating loss	(3,394)	(3,162)	(2,239)	(232)	7.34 %	(923)	41.22 %
Nonoperating revenue (expenses):							
Property tax revenue	2,333	2,130	1,952	203	9.53 %	178	9.12 %
Grant revenue	117	229	184	(112)	-48.91 %	45	24.46 %
Contract revenue	118	139	135	(21)	-15.11 %	4	2.96 %
Interest earnings	68	61	59	7	11.48 %	2	3.39 %
Interest expense	(94)	(102)	(95)	8	-7.84 %	(7)	7.37 %
Donations and pharmacy revenue	33	25	47	8	32.00 %	(22)	-46.81 %
Gain on sale of assets	2	-	3	2	-100.00 %	(3)	-50.00 %
Other	4,290	250	247	4,040	1,616.00 %	3	1.21 %
Total nonoperating revenue, net	6,867	2,732	2,532	4,135	151.35 %	200	7.90 %
Excess (deficit) of revenue under expenses	3,473	(430)	293	3,903	-907.67 %	(723)	-246.76 %
Capital grants and contributions	289	284	160	5	1.76 %	124	100.00 %
Net position, beginning of year	5,921	6,067	5,614	(146)	-2.41 %	453	8.07 %
Net position, end of year	\$ 9,683	\$ 5,921	\$ 6,067	\$ 3,762	63.54 %	\$ (146)	-2.41 %

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

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

Operating Losses

The overall operating loss increased by \$219,821 in 2021 and increased by \$924,297 in 2020. The increase in operating expenses directly contributed to the increased loss over last year. Depreciation expense increased due to the addition of the Irrigon Medical Clinic expansion project. Other operating expenses increased as a result of COVID-19 related expenses and due to the hiring of new employees in new positions and temporary staffing expenses for vacant positions. There was also a significant increase in legal and IT related professional fees during 2021.

Nonoperating Revenue and Expenses

The District's overall net nonoperating revenue increased by \$4,124,499, or 150% because of recognition of CARES Act related revenue (Paycheck Protection Loan forgiveness and Provider Relief Fund revenue) in 2021 and increased by \$201,040, or 8%, in 2020 due primarily to fluctuations in property tax revenues and the recognition of CARES Act revenue.

Grants, Contributions, and Endowments

In 2021, the District received \$405,661 in grant funding. The largest grant, in the amount of \$150,407, was from Columbia River Enterprise Zone (CREZ) for the new Irrigon Ambulance Hall project.

The largest sources of contract revenue were from Morrow County for Lone Community Clinic, from state-level, school-based health center funding of \$54,000, and Willow Creek Valley Assisted Living Corporation for management and accounting services of \$56,900.

Donations received in fiscal year 2021 totaled \$32,683 and were from various community donors as memorials or for a specific purpose or service of the District. The largest donation was \$23,000 from Pioneer Memorial Hospital Foundation, used towards the purchase of new equipment for the hospital.

The District's Cash Flows

The decrease in cash and cash equivalents from 2020 to 2021 was (16)%, while there was a 222% Increase from 2019 to 2020. Detailed cash flows from the District's activities are outlined on pages 15 and 16 in the statements of cash flows.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

Capital Asset and Debt Administration

Capital Assets

Capital asset expenditures, including construction in progress, were \$1,189,730 this year. The largest costs were associated with a new telemetry system. Other major purchases included the upgrade of the Hospital's IT server room and the purchase of residential real property adjacent to the Hospital's property for future expansion.

Debt

In May 2021, the District borrowed \$90,000 from the Greater Eastern Oregon Development Corporation to use towards the purchase of a house adjacent to the Hospital for future expansion and housing for staff. The term of the loan is 10 years, and the interest rate is 3.5%.

Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The District applied for and was approved for a loan of \$1,788,357 that was subsequently forgiven on November 30th, 2020, in full by the SBA.

Financial Risks Potentially Affecting Morrow County Health District and the Healthcare Field Generally

In considering financial risks to the District, there are two areas in particular that stand out.

COVID-19:

COVID-19 has had a significant impact on the healthcare landscape. Recruiting has become more difficult for a number of reasons, including medical professionals choosing to leave the healthcare field, a workforce shortage that has resulted in more open positions than available workers across many industries, and huge financial incentives for healthcare workers to accept traveling positions.

The District has benefited from previous of Provider Relief Fund distributions; however, there is no guarantee the District will receive funds from the Provider Relief Fund Phase 4. These funds would be especially valuable in helping to offset increased costs associated with maintaining staffing.

Also of note, there are currently three versions of a COVID vaccine mandate potentially affecting the District - one at the State level and two at the Federal level. Risks associated with a mandate include loss of existing workforce, difficulty recruiting as some people choose to leave the healthcare field, increased reliance on locum and traveling workers, and increased administrative costs associated with implementation.

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

Management's Discussion and Analysis (Continued)

Years Ended June 30, 2021, 2020, and 2019

Recruitment and Staffing:

The District's current plan for provider staffing is shown below. Within this model, there are currently three physician vacancies. At Pioneer Memorial Clinic, one physician is scheduled to begin in the spring of 2022 and another in the fall of 2022. This leaves one vacancy at Irrigon Medical Clinic, for which the District is currently recruiting.

Provider vacancies have a significant impact on the District's finances not only because the clinics have reduced capacity, but also because utilization of ancillary services is reduced (imaging, lab, etc.).

Over the past year, there have been significant challenges with recruiting and retention in the medical field as a whole and at the District in particular. The District has increased its utilization of locum and traveling providers in order to continue to provide critical services, which has been costly.

The addition of new providers in the coming year will be helpful in expanding availability of services, increasing utilization of available services, and reducing reliance on contracted providers.

Contacting the District's Financial Management

This financial report is designed to provide readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration office at Pioneer Memorial Hospital, PO Box 9, Heppner, OR 97836 or call 541.676.2925.

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

Statements of Net Position

<i>June 30,</i>	2021	2020
Current assets:		
Cash and cash equivalents	\$ 6,707,182	\$ 8,173,389
Receivables:		
Patient accounts - Net	1,639,810	1,836,027
Taxes	70,029	74,995
Other	56,028	102,502
Inventories	366,523	298,057
Prepaid expenses	72,523	58,011
Total current assets	8,912,095	10,542,981
Noncurrent assets:		
Board-designated cash - Capital fund	171,661	199,161
Restricted cash and cash equivalents	871,086	549,878
Capital assets:		
Nondepreciable capital assets	566,455	291,104
Depreciable capital assets - Net	4,296,413	4,058,320
Total noncurrent assets	5,905,615	5,098,463
TOTAL ASSETS	\$ 14,817,710	\$ 15,641,444

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

Statements of Net Position (Continued)

<i>June 30,</i>	2021	2020
Current liabilities:		
Current portion of long-term debt	\$ 337,915	\$ 408,988
Accounts payable	287,380	256,916
Accrued compensation and related liabilities	208,389	233,352
Compensated absences	459,105	418,039
Estimated third-party payor settlements	28,670	663,952
Accrued interest	4,389	4,788
Unearned revenue	2,124,542	4,014,735
Total current liabilities	3,450,390	6,000,770
Noncurrent liabilities:		
Long-term debt, less current portion	1,684,010	1,931,852
Paycheck Protection Program loan payable	-	1,788,357
Total noncurrent liabilities	1,684,010	3,720,209
Total liabilities	5,134,400	9,720,979
Net position:		
Net investment in capital assets	2,840,943	2,008,584
Restricted:		
For debt service	68,588	68,588
By donors	140,153	108,511
By grant and service contracts	662,345	372,779
Unrestricted	5,971,281	3,362,003
Total net position	9,683,310	5,920,465
TOTAL LIABILITIES AND NET POSITION	\$ 14,817,710	\$ 15,641,444

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

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30,	2021	2020
Operating revenue:		
Net patient service revenue	\$ 13,243,682	\$ 11,644,364
Other operating income	396,950	374,348
Total operating revenue	13,640,632	12,018,712
Operating expenses:		
Salaries and wages	9,378,900	8,511,090
Employee benefits	2,977,315	2,633,953
Professional fees	661,528	447,214
Supplies	1,309,846	1,167,412
Purchased services - Utilities	207,306	174,324
Purchased services - Other	1,048,926	964,581
Insurance	138,242	139,583
Other operating expense	644,792	542,572
Depreciation expense	667,978	612,363
Total operating expenses	17,034,833	15,193,092
Loss from operations	(3,394,201)	(3,174,380)
Nonoperating revenue (expenses):		
Property tax revenue	2,333,380	2,129,531
Grant revenue	116,537	229,110
Contract revenue	117,814	138,557
Interest earnings	67,883	61,400
Interest expense	(94,099)	(101,745)
Donations	32,683	35,864
Gain on sale of assets	2,201	337
HHS Provider Relief Fund income	2,151,170	-
Paycheck Protection Program loan forgiveness	1,788,357	-
Other nonoperating revenue	351,996	250,369
Total nonoperating revenue - Net	6,867,922	2,743,423
Excess (deficit) of revenue over expenses	3,473,721	(430,957)
Capital grants and contributions	289,124	284,426
Increase (decrease) in net position	3,762,845	(146,531)
Net position - Beginning of year	5,920,465	6,066,996
Net position - End of year	\$ 9,683,310	\$ 5,920,465

See accompanying notes to financial statements.

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

Statements of Cash Flows

<i>Years Ended June 30,</i>	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 12,804,617	\$ 12,412,031
Receipts from other operating revenue	443,424	374,348
Payments to and on behalf of employees	(12,340,112)	(11,007,902)
Payments to suppliers, contractors, and others	(4,067,676)	(3,673,092)
Net cash used in operating activities	(3,159,747)	(1,894,615)
Cash flows from noncapital financing activities:		
Taxation for operations	2,338,346	2,127,227
Cash received from grants, contract revenue, contributions, and donations	267,034	392,251
Cash received from emergency COVID-19 funding - HHS Provider Relief grant	300,000	4,013,229
Proceeds from emergency COVID-19 funding - Paycheck Protection Program loan	-	1,788,357
Other	1,821,426	261,649
Net cash provided by noncapital financing activities	4,726,806	8,582,713
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	2,500	2,365
Proceeds from issuance of long-term debt	90,000	282,600
Principal paid on long-term debt and capital lease obligations	(2,197,272)	(369,629)
Interest paid on long-term debt and capital lease obligations	(94,498)	(101,588)
Received from capital grants and contributions	573,550	284,426
Purchase of capital assets	(1,181,721)	(690,990)
Net cash used in capital and related financing activities	(2,807,441)	(592,816)
Cash flows provided by investing activities - Interest received	67,883	61,400
Net increase (decrease) in cash and cash equivalents	(1,172,499)	6,156,682
Cash and cash equivalents - Beginning of year	8,922,428	2,765,746
Cash and cash equivalents - End of year	\$ 7,749,929	\$ 8,922,428

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

Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2021	2020
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (3,394,201)	\$ (3,174,380)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Provision for bad debt	177,190	153,486
Depreciation expense	667,978	612,363
Changes in assets and liabilities:		
Receivables:		
Patient accounts - Net	14,505	(365,111)
Other	46,474	773
Inventories	(68,466)	(50,774)
Prepaid expenses	(14,512)	(185)
Accounts payable	30,464	(187,220)
Accrued compensation and related liabilities	(24,963)	65,007
Estimated third-party payor settlements	(635,282)	979,292
Compensated absences	41,066	72,134
Total adjustments	234,454	1,279,765
Net cash used in operating activities	\$ (3,159,747)	\$ (1,894,615)

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District") owns and operates a 21-bed acute care hospital. The District also owns and operates three medical clinics located in Heppner, Irrigon, and Lone, Oregon. The District provides health care services to patients primarily in the Morrow County area. The services provided include acute care hospital, swing bed, medical clinic, emergency room, home health, hospice, ambulance, and related ancillary procedures (lab, x-ray, etc.) associated with those services. The District operates under the laws of the State of Oregon for Oregon municipal corporations.

Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States for establishing governmental accounting and financial reporting principles. The District's financial statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Unbilled hospital services receivable are recorded at year-end.

Use of Estimates

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

The District considers significant accounting estimates to be those that require significant judgment and include the valuation of patient accounts receivable, including contractual adjustments and allowance for uncollectible accounts, and estimated third-party payors' settlements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturity dates of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value.

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and allowances for doubtful accounts, which reflect management's estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of net patient revenue and a credit to a contractual allowance. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of net patient revenue and a credit to a valuation allowance.

In evaluating the collectibility of patient accounts receivable, the District analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Property Taxes

The District received approximately 14.98% and 15.46% of its financial support from property taxes in the years ended June 30, 2021 and 2020, respectively.

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Property taxes are levied by the District and collected by the Morrow County Treasurer for operations. Taxes estimated to be collectible are recorded as revenue in the year of the levy. No allowance for doubtful taxes receivable is considered necessary. Taxes levied are recorded as nonoperating revenue. The taxes are levied on July 1 each year and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of September 30 each year. On November 4, 2008, the District voters approved a five-year special operating levy, which began in fiscal year 2010. District voters approved another five-year special operating levy that began in fiscal year 2015. Voters approved an additional five-year levy in May 2019 which was approved at the same rate as the previous levy and began in fiscal year 2020.

The funds used to support operations were \$2,333,380 and \$2,129,531 for the years ended June 30, 2021 and 2020, respectively.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or net realizable value. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents includes certain cash and other assets whose use is limited by debt agreements, by donors, and by grant and service contracts.

Capital Assets and Depreciation

Capital asset acquisitions exceeding \$5,000 are capitalized and recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in process are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers, and furniture	3 to 7 years

Unearned Revenue

Unearned revenue arise when resources are unearned by the District and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenue (Continued)

In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

Compensated Absences

The District's employees earn vacation days at varying rates depending on years of service and the number of hours worked. The District has a policy that requires employees to cash out vacation hours if they maintain a balance of over 320 hours in their accrual bank. Vacation benefits are a vested benefit and payable upon separation from the District. Employees also earn sick leave benefits based on a standard accrual rate multiplied by the number of hours worked. Employees may accumulate sick leave up to a maximum of 960 hours. Sick time is not a vested benefit, and employees are not paid for accumulated sick time when they separate from the District.

The District considers compensated absence liabilities to be a current liability of the District. These obligations are expected to be liquidated with current assets.

Net Position

Net position is reported in three categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.

Restricted - This category consists of noncapital assets whose use is restricted, reduced by liabilities and deferred inflows of resources related to those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, donors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category consists of the remaining net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenue and Expenses

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

Net Patient Revenue

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients, the District recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care

The District provides care to patients who meet certain criteria under its charity care (financial assistance) policy without charge or according to a sliding scale based on income. The District maintains records to identify and monitor the level of charity care provided.

Grants and Contributions

From time to time, the District receives grants from the federal government and the State of Oregon, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue in the year received.

Gifts, grants, and bequests restricted by donors for specific purposes are recorded as restricted net position and transferred to unrestricted net position when amounts are expended for their restricted purpose. When restricted funds are used for operations, these amounts are reflected in the statements of revenues, expenses, and changes in net position as nonoperating revenue.

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

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred.

Note 2: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits per insured institution. At June 30, 2021, the District exceeded the insured limits. The District's deposits in excess of federally insured limits are protected by the qualifying institutions' participation in the Oregon Public Funds Collateralization Program (PFCP), which provides protection from loss for deposits in excess of federal limits.

Oregon Revised Statute (ORS) Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110% of the greater of:

- All public funds held by the bank depository or
- The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

The District maintains its investments in the State of Oregon Local Government Investment Pool (LGIP), which is an alternate investment vehicle offered to participants that by law are made the custodian of, or have control of, any public funds. The investments are recorded at fair value and are the same as the value of the pool shares. The LGIP investments are governed by a written investment policy that is reviewed annually by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board is comprised of members of local government and private investment professionals, who are appointed by the Governor of the State of Oregon.

The LGIP is not rated by any national rating service and is not a registered investment company with the U.S. Securities and Exchange Commission. The District considers all investments to be cash and cash equivalents. The LGIP is not subject to fair value hierarchy disclosures. All final decisions regarding the purchase and sale of investment securities remain with the District Board. The District's investment procedure is designed to maximize return and limit the following types of risk:

Credit risk - The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of credit risk - The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer).

Interest rate risk - The possibility that an interest rate change could adversely affect an investment's fair value.

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

Notes to Financial Statements

Note 2: Cash and Cash Equivalents (Continued)

Custodial credit risk - The risk that in an event of a bank failure the District's deposits may not be returned to it. ORS 295.0002 provides for funds deposited in excess of \$250,000 to be held only in a depository qualified by the PFCP. The District's deposits are held by a depository qualified under PFCP for the years ended June 30, 2021 and 2020.

Cash and cash equivalents consisted of the following at June 30:

	2021	2020
Current assets - Cash and cash equivalents	\$ 6,707,182	\$ 8,173,389
Noncurrent assets - Cash and cash equivalents	1,042,747	749,039
Total cash and cash equivalents	\$ 7,749,929	\$ 8,922,428

The carrying amounts of cash and cash equivalents are included in the District's statements of net position as follows at June 30:

	2021	2020
Included in the following statements of net position descriptions:		
Current assets:		
Cash and cash equivalents	\$ 6,707,182	\$ 8,173,389
Noncurrent assets:		
Board-designated cash - Capital fund	171,661	199,161
Restricted cash and cash equivalents:		
Restricted by debt instrument, USDA reserve fund	68,588	68,588
Restricted by donors	140,153	108,511
Restricted by grant and service contracts	662,345	372,779
Total restricted cash and cash equivalents	871,086	549,878
Total cash and cash equivalents	\$ 7,749,929	\$ 8,922,428

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

Notes to Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors

The District provides services to patients under contractual agreements with the Medicare and Medicaid programs. Differences between gross revenue charged and reimbursement under each of the various programs are included in revenue deductions and allowances. Gross revenue billed under the Medicare and Medicaid programs totaled approximately \$9,910,000 and \$9,040,670 for the years ended June 30, 2021 and 2020, respectively.

Medicare

The District's hospital is designated as a critical access hospital (CAH). As a CAH, the District's inpatient and outpatient services provided to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District's clinics are certified as rural health clinics. As such, services provided to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. The District is reimbursed for cost at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The Medicare program's administrative procedures preclude final determination of amounts due to the District for such services until three years after the District's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary. The District's Medicare cost reports have been final-settled through the year ended June 30, 2019.

Medicaid

Because the District's hospital is a CAH, inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. The District is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Medicaid reimburses RHCs on a prospective rate that is based on historical cost without any cost report settlement at year-end. The District's Medicaid cost reports have been final-settled through the year ended June 30, 2018.

Other

The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

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

Notes to Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors (Continued)

Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters, such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed.

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

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that might have been made to health care providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The District may either accept or appeal the RAC's findings. A RAC review of the District's Medicare claims is anticipated; however, the outcome of such a review is unknown, and any financial impact cannot be reasonably estimated at this time.

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable consisted of the following at June 30:

	2021	2020
Receivable from patients and their insurance carriers	\$ 1,244,417	\$ 1,129,548
Receivable from Medicare	668,536	706,463
Receivable from Medicaid	121,413	133,016
Total patient accounts receivable	2,034,366	1,969,027
Less - Contractual adjustments	124,053	(30,000)
Less - Allowance for uncollectible amounts	270,503	163,000
Patient accounts receivable - Net	\$ 1,639,810	\$ 1,836,027

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

Notes to Financial Statements

Note 5: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Nondepreciable capital assets:					
Land	\$ 95,450	\$ -	\$ -	40,250	\$ 135,700
Construction in progress	195,654	948,088	-	(712,987)	430,755
Total nondepreciable capital assets	291,104	948,088	-	(672,737)	566,455
Depreciable capital assets:					
Land improvements	269,471	22,125	-	-	291,596
Buildings and improvements	5,717,425	-	-	134,750	5,852,175
Software	758,810	-	-	-	758,810
Equipment	6,010,066	219,517	(173,597)	537,987	6,593,973
Total depreciable capital assets	12,755,772	241,642	(173,597)	672,737	13,496,554
Total capital assets before depreciation	13,046,876	1,189,730	(173,597)	-	14,063,009
Less - Accumulated depreciation	(8,697,452)	(667,974)	165,285	-	(9,200,141)
Capital assets - Net	\$ 4,349,424	\$ 521,756	\$ (8,312)	\$ -	\$ 4,862,868

At June 30, 2021, construction in progress consisted of the planning and architect fees for a new clinic and renovations to the hospital. At year-end, management did not have an estimated cost to complete the projects or a viable date for completion.

Construction in progress also consisted of the Irrigon Ambulance Hall project; which is estimated to cost an additional \$250,000 and is estimated to be completed by June 2022; an ambulance, which cost an additional \$88,195 to complete and was placed in to service during August 2021; and hospital beds, which had no additional costs to complete and were placed in to service during August 2021.

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

Notes to Financial Statements

Note 5: Capital Assets (Continued)

Capital assets consisted of the following:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Nondepreciable capital assets:					
Land	\$ 95,450	\$ -	\$ -	\$ -	95,450
Construction in progress	87,158	481,367	(705)	(372,166)	195,654
Total nondepreciable capital assets	182,608	481,367	(705)	(372,166)	291,104
Depreciable capital assets:					
Land improvements	269,471	-	-	-	269,471
Buildings and improvements	5,705,980	-	-	11,445	5,717,425
Software	758,810	-	-	-	758,810
Equipment	5,656,728	209,623	(217,006)	360,721	6,010,066
Total depreciable capital assets	12,390,989	209,623	(217,006)	372,166	12,755,772
Total capital assets before depreciation	12,573,597	690,990	(217,711)	-	13,046,876
Less - Accumulated depreciation	(8,300,772)	(612,363)	215,683	-	(8,697,452)
Capital assets - Net	\$ 4,272,825	\$ 78,627	\$ (2,028)	\$ -	4,349,424

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term debt:					
<i>Direct borrowings</i>					
USDA Loan	\$ 851,188	\$ -	\$ (27,626)	\$ 823,562	\$ 29,003
Bank of Eastern Oregon Boilers Loan	122,767	-	(25,349)	97,418	26,421
Bank of Eastern Oregon Remodel	140,467	-	(44,383)	96,084	46,428
Bank of Eastern Oregon Boardman Ambulance Loan	141,076	-	(27,449)	113,627	28,610
Greater E. Oregon Devel. Corp. Morrow County IMC Loan	29,668	-	(9,987)	19,681	10,188
Greater E. Oregon Devel. Corp. Morrow County Annex Loan	9,607	-	(9,607)	-	-
Bank of Eastern Oregon Amb./Lab Loan	49,312	-	(42,139)	7,173	7,169
Bank of Eastern Oregon Boardman Building Loan	138,618	-	(15,974)	122,644	16,626
Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan	77,989	-	(9,672)	68,317	9,818
Bank of Eastern Oregon Procedure Room Remodel Loan	84,709	-	(36,754)	47,955	38,060
Bank of Eastern Oregon IMC Expansion Loan	416,784	-	(41,185)	375,599	43,081
Bank of Eastern Oregon Omnicell and Ultrasound Loan	231,425	-	(71,560)	159,865	74,859
Greater E. Oregon Devel. Corp 2021 House Loan	-	90,000	-	90,000	7,652
Other long-term debt obligations:					
Paycheck Protection Program Loan	1,788,357	-	(1,788,357)	-	-
Total direct borrowings	4,081,967	90,000	(2,150,042)	2,021,925	337,915
Capital lease obligations:					
Stryker Power Loaders Lease	47,230	-	(47,230)	-	-
Total long-term debt	\$ 4,129,197	\$ 90,000	\$(2,197,272)	\$ 2,021,925	\$ 337,915

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-term debt obligations consisted of the following:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
<i>Direct borrowings</i>					
USDA Loan	\$ 877,535	\$ -	\$ (26,347)	\$ 851,188	\$ 27,661
Bank of Eastern Oregon Revenue Bonds	-	135,000	(12,233)	122,767	25,349
Bank of Eastern Oregon Remodel	182,928	-	(42,461)	140,467	44,388
Bank of Eastern Oregon Equipment/Amb. Loan	-	147,600	(6,524)	141,076	27,449
Greater E. Oregon Devel. Corp. Morrow County IMC Loan	39,454	-	(9,786)	29,668	9,987
Greater E. Oregon Devel. Corp. Morrow County Annex Loan	25,945	-	(16,338)	9,607	9,607
Bank of Eastern Oregon Amb./Lab Loan	89,906	-	(40,594)	49,312	42,142
Bank of Eastern Oregon Boardman Building Loan	153,985	-	(15,367)	138,618	15,975
Greater E. Oregon Devel. Corp. Morrow County Boardman Building Loan	87,510	-	(9,521)	77,989	9,672
Bank of Eastern Oregon Procedure Room Remodel Loan	120,114	-	(35,405)	84,709	36,768
Bank of Eastern Oregon IMC Expansion Loan	456,221	-	(39,437)	416,784	41,189
Bank of Eastern Oregon Omnicell and Ultrasound Loan	299,812	-	(68,387)	231,425	71,571
Other long-term debt obligations:					
Paycheck Protection Program Loan	-	1,788,357	-	1,788,357	-
Total direct borrowings	2,333,410	2,070,957	(322,400)	4,081,967	361,758
Capital lease obligations:					
Stryker Power Loaders Lease	94,459	-	(47,229)	47,230	47,230
Total long-term debt	\$ 2,427,869	\$ 2,070,957	\$ (369,629)	\$ 4,129,197	\$ 408,988

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Long-Term Debt

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

- GEODC - Note dated May 21, 2021, due in monthly payments of \$889.97, including interest at 3.50% through 2031. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated March 3, 2020, due in monthly payments of \$2,732, including interest at 4.15% through 2025. Collateralized by the titled vehicles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated December 9, 2019, due in monthly payments of \$2,497, including interest at 4.15% through 2024. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - IMC Expansion Loan - Note dated December 12, 2018, due in monthly payments of \$4,925, including interest at 4.50% through 2028. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Omnicell and Ultrasound - Note dated July 25, 2018, due in monthly payments of \$6,710, including interest at 4.50% through 2023. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Greater Eastern Oregon Development Council (GEODC) - Note dated January 31, 2018, due in monthly payments of \$898, including interest at 1.5% through 2028. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated January 29, 2018, due in monthly payments of \$1,769, including interest of 4.00% through 2028. Collateralized by the purchase of building and land. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated September 26, 2017, due in monthly payments of \$3,276, including interest of 3.75% through 2022. Collateralized by inventory, equipment, and general intangibles. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated August 16, 2016, due in monthly payments of \$3,606, including interest of 3.75% through 2021. Collateralized by the purchased equipment. The loan repayment may be accelerated upon default or other noncompliance with loan terms.

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

- GEODC - Note dated January 12, 2016, due in monthly payments of \$1,385, including interest at 1.5% through 2021. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- GEODC - Note dated May 7, 2013, due in monthly payments of \$874, including interest at 2.00% through 2023. Collateralized by general revenue, including property tax revenue. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Bank of Eastern Oregon - Note dated February 27, 2009, due in monthly payments of \$4,150, including interest at 4.50% through 2023. Collateralized by the District's gross receipts, property tax revenue, and all District assets, excluding Pioneer Memorial Hospital. The loan repayment may be accelerated upon default or other noncompliance with loan terms.
- Rural Housing Service, United States Department of Agriculture (USDA) - Note dated August 2002, due in monthly payments of \$5,622, including interest at 4.75% through 2042. Collateralized by the District's gross receipts and all present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility. Upon the event of default the repayment may be accelerated or interest increased by up to 2% per annum.

Capital Lease Obligations

The terms and due date of the District's capital lease obligations are as follows:

- Stryker Sales Corporation - Lease agreement dated June 26, 2018, due in annual installments of \$49,459, including interest at 6.00% through fiscal year 2021. Collateralized by equipment.

Other Long-Term Debt Obligations

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The District applied for and was approved for a loan of \$1,788,357 that was forgiven on November 30, 2020, in full by the SBA. The gain on forgiveness of debt is included in the statements of revenues, expenses, and changes in net position.

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

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Equipment under capital lease obligations consisted of the following at June 30, 2021:

	2021	2020
Historical Cost	\$ 98,459	\$ 98,459
Less - Accumulated depreciation	(41,024)	(26,959)
Totals	\$ 57,435	\$ 71,500

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

<i>Years Ending June 30,</i>	Direct borrowings		
	Principal	Interest	Total
2022	\$ 337,915	\$ 81,315	\$ 419,230
2023	314,288	67,607	381,895
2024	182,911	56,912	239,823
2025	159,121	49,614	208,735
2026	125,348	43,904	169,252
2026-2030	441,119	148,839	589,958
2031-2035	256,717	80,603	337,320
2036-2040	204,506	16,631	221,137
Totals	\$ 2,021,925	\$ 545,425	\$ 2,567,350

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

Notes to Financial Statements

Note 7: Net Patient Service Revenue

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

	2021	2020
Gross patient service revenue:		
Inpatient services	\$ 2,312,764	\$ 2,547,878
Outpatient services	12,258,108	10,343,402
Totals	14,570,872	12,891,280
Less:		
Contractual adjustments	1,150,000	1,093,430
Provision for bad debt	177,190	153,486
Net patient service revenue	\$ 13,243,682	\$ 11,644,364

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

	2021	2020
Medicare	52 %	53 %
Medicaid	16 %	17 %
Other third-party payors	27 %	26 %
Self-pay	5 %	4 %
Totals	100 %	100 %

Note 8: Charity Care

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

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides. Gross charges related to patients under the District's charity care policy were \$231,030 in 2021 and \$297,519 in 2020.

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

Notes to Financial Statements

Note 9: Employee Benefits and Employee Retirement Plans

The District offers postretirement benefits through AIG VALIC.

Pension plan 401(a) - On July 1, 1998, the District established a defined contribution retirement plan, Morrow County Health District Retirement Plan, which provides retirement benefits to employees of the District. The plan is a profit-sharing plan established under Section 401(a) of the Internal Revenue Code (IRC). The plan covers full-time employees and part-time employees working more than 20 hours per week who are over the age of 18. The District contributes a flat percentage based on profit margin, but no less than 5% of employee earnings. Contributions to the plan from the District were \$356,278 and \$326,673 for the years ended June 30, 2021 and 2020, respectively.

Deferred compensation plan 457 - The District provides a deferred compensation plan to substantially all employees under Section 457 of the IRC. The deferred compensation plan is funded solely from employee contributions, which are deposited with several financial institutions. Effective January 1, 1997, by federal law, these assets can be used only to meet obligations under the plan. Net plan activity was \$460,223 and \$410,808 (including rollover contributions), with funds on deposit of \$3,299,346 and \$2,839,123 for the years ended June 30, 2021 and 2020, respectively.

Retirement benefits 403(b) - The District has a tax-sheltered annuity plan under Section 403(b) of the IRC that is available to substantially all employees. Employees are eligible for participation in the plan immediately after being hired. The plan allows the participant to make voluntary contributions. Employee annuity contributions are 100% vested. Total employee contributions and transfers to the plan during the year were \$110,788 and \$77,858 for the years ended June 30, 2021 and 2020, respectively.

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

Notes to Financial Statements

Note 9: Employee Benefits and Employee Retirement Plans (Continued)

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

Plan	Value July 1, 2020	Additions	Interest Earned	Gain	Distributions/ Adjustments	Value June 30, 2021
401(a)	\$ 2,957,423	\$ 356,278	\$ 27,219	\$ 721,992	\$ (177,243)	\$ 3,885,669
457	2,839,123	335,176	27,151	662,882	(564,986)	3,299,346
403(b)	691,999	110,788	9,140	123,812	(10,887)	924,852

Plan	Value July 1, 2019	Additions	Interest Earned	Gain	Distributions/ Adjustments	Value June 30, 2020
401(a)	\$ 2,669,707	\$ 326,673	\$ 23,541	\$ 50,427	\$ (112,925)	\$ 2,957,423
457	2,428,315	468,116	24,259	17,375	(98,942)	2,839,123
403(b)	622,971	77,858	8,961	7,355	(25,146)	691,999

Note 10: Risk Management

Liability Insurance

The District has its professional liability insurance coverage with Washington Casualty Insurance Company. The policy provides protection on a "claims made" basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

Coverage is provided in two policies: a primary policy with \$1,000,000 for each medical incident and a \$5,000,000 limit aggregate and an excess policy with \$4,000,000 limits in excess of \$1,000,000 for a total of \$5,000,000 per occurrence and \$9,000,000 aggregate.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. The District does not believe potential claims are significant and, accordingly, has not provided a reserve for potential claims from services provided to patients through June 30, 2021, which have not yet been asserted.

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

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

Notes to Financial Statements

Note 11: Concentration of Credit Risk

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

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

	2021	2020
Medicare	33 %	36 %
Medicaid	6 %	7 %
Other third-party payors	34 %	27 %
Self-pay	27 %	30 %
Totals	100 %	100 %

Note 12: Provider Relief Funding

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the District that both operational performance and cash flows for healthcare-related entities has been and will be impacted during the year ended June 30, 2020 as well as future periods until the pandemic ends.

During the year ended June 30, 2020, the District received approximately \$4,000,000 in grant funding from the U.S. Department of Health and Human Services (HHS) Provider Relief Fund which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring COVID-19 expenses or by incurring lost revenue as a result of COVID-19. The District recognized \$2,151,170 and \$0 in nonoperating revenue related to this program during the years ended June 30, 2021 and 2020, respectively. Revenue from this program is included in the the statements of revenues, expenses, and changes in net position.

Note 13: Related-Party Transactions

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

Supplementary Information

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

Schedule of Patient Service Revenue

Year Ended June 30, 2021

	Hospital		Clinics			Ambulances				Home Health	Hospice	Total
	Inpatient	Outpatient	Heppner	Irrigon	Ione	Heppner	Boardman	Irrigon	Ione			
Daily patient services:												
Medical - Surgical	\$ 715,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 715,630
Swing bed program	709,356	-	-	-	-	-	-	-	-	-	-	709,356
Total daily patient services	1,424,986	-	-	-	-	-	-	-	-	-	-	1,424,986
Ancillary services:												
Clinic services	-	-	1,218,913	1,365,333	165,962	-	-	-	-	-	-	2,750,208
Home health	-	-	-	-	-	-	-	-	-	503,877	-	503,877
Hospice	-	-	-	-	-	-	-	-	-	-	653,362	653,362
Emergency room	107,860	1,265,688	-	-	-	-	-	-	-	-	-	1,373,548
Radiology	20,989	579,323	-	-	-	-	-	-	-	-	-	600,312
CT scan	51,259	857,879	-	-	-	-	-	-	-	-	-	909,138
Laboratory	110,346	2,570,152	-	-	-	-	-	-	-	-	-	2,680,498
Electrocardiography	5,383	82,711	-	-	-	-	-	-	-	-	-	88,094
Respiratory therapy	130,789	245,933	-	-	-	-	-	-	-	-	-	376,722
Supplies and other	16,086	46,536	-	-	-	-	-	-	-	-	-	62,622
Pharmacy	277,658	1,173,946	-	-	-	-	-	-	-	-	-	1,451,604
Physical therapy	167,408	11,984	-	-	-	-	-	-	-	-	-	179,392
Procedure	-	168,439	-	-	-	-	-	-	-	-	-	168,439
Ambulance	-	-	-	-	-	459,351	497,203	389,832	1,684	-	-	1,348,070
Total ancillary services	887,778	7,002,591	1,218,913	1,365,333	165,962	459,351	497,203	389,832	1,684	503,877	653,362	13,145,886
Gross patient revenue	2,312,764	7,002,591	1,218,913	1,365,333	165,962	459,351	497,203	389,832	1,684	503,877	653,362	14,570,872
Medicare adjustments	1,911,949	(1,034,122)	121,432	3,101	(14,160)	-	-	-	-	(84,464)	(221,289)	682,447
Medicaid adjustments	(14,055)	(765,068)	148,673	139,225	22,623	-	-	-	-	(14,031)	-	(482,633)
Commercial adjustments	(3,132)	(387,569)	(190,977)	(289,379)	(32,983)	13,720	-	-	-	(28,760)	(6,082)	(925,162)
Administrative adjustments	(18,697)	(153,379)	(4,180)	(4,147)	(1,509)	-	-	-	-	(11,710)	-	(193,622)
Charity care	(16,387)	(154,040)	(30,806)	(28,096)	(1,701)	-	-	-	-	-	-	(231,030)
Provision for bad debt	(34,248)	(103,696)	(12,728)	(23,553)	(2,965)	-	-	-	-	-	-	(177,190)
Total revenue deductions	1,825,430	(2,597,874)	31,414	(202,849)	(30,695)	13,720	-	-	-	(138,965)	(227,371)	(1,327,190)
Net patient service revenue	\$ 4,138,194	\$ 4,404,717	\$ 1,250,327	\$ 1,162,484	\$ 135,267	\$ 473,071	\$ 497,203	\$ 389,832	\$ 1,684	\$ 364,912	\$ 425,991	\$ 13,243,682

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

Schedule of Operating Expenses and Interest Expense

Year Ended June 30, 2021

	Personnel Services	Materials, Services, and Interest	Subtotal	Depreciation and Amortization	Total
Administration	\$ 719,986	\$ 551,254	\$ 1,271,240	\$ 35,009	\$ 1,306,249
Accounting services	357,002	64,263	421,265	-	421,265
Business office	483,391	73,968	557,359	4,517	561,876
Information systems	21,855	565,403	587,258	49,927	637,185
Dietary	175,971	89,425	265,396	1,970	267,366
Laundry	47,254	10,540	57,794	752	58,546
Housekeeping	135,974	28,458	164,432	-	164,432
Plant and maintenance	245,956	165,641	411,597	131,823	543,420
Central supply	78,157	25,339	103,496	-	103,496
Acute care	1,661,753	172,275	1,834,028	83,476	1,917,504
Pharmacy	31,997	552,955	584,952	3,245	588,197
Laboratory	493,805	574,703	1,068,508	27,706	1,096,214
IV therapy	-	1,676	1,676	799	2,475
Radiology	348,313	107,975	456,288	42,206	498,494
CT scan	33,230	74,189	107,419	-	107,419
Electrocardiography	15,512	3,952	19,464	-	19,464
Respiratory therapy	64,498	2,173	66,671	-	66,671
Emergency room	1,066,074	155,286	1,221,360	21,344	1,242,704
Medical records	99,628	2,916	102,544	-	102,544
Physical therapy	-	21,910	21,910	-	21,910
Swing bed	471,359	3,551	474,910	-	474,910
Swing bed NF	510,229	25,760	535,989	3,008	538,997
Procedure	22,861	38,101	60,962	2,586	63,548
Heppner ambulance	291,168	58,006	349,174	43,202	392,376
Subtotals	7,375,973	3,369,719	10,745,692	451,570	11,197,262
Home health	417,698	147,833	565,531	10,897	576,428
Hospice	430,369	85,433	515,802	3,128	518,930
Heppner clinic	1,878,030	146,822	2,024,852	13,981	2,038,833
Irrigon clinic	1,376,110	216,669	1,592,779	102,133	1,694,912
Ione clinic	174,604	35,808	210,412	598	211,010
Boardman ambulance	353,817	67,688	421,505	68,347	489,852
Irrigon ambulance	334,871	26,738	361,609	12,017	373,626
Ione ambulance	7,817	7,365	15,182	5,307	20,489
Lexington ambulance	6,926	664	7,590	-	7,590
Totals	\$ 12,356,215	\$ 4,104,739	\$ 16,460,954	\$ 667,978	\$ 17,128,932

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

Schedule of Resources and Expenditures - Budget and Actual

Year Ended June 30, 2021

	Filed Budget	Budget Amendments	Final Budget	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Resources:					
Net patient service revenue	\$ 13,571,679	\$ -	\$ 13,571,679	\$ 13,243,682	\$ (327,997)
Property/other taxes	2,225,516	-	2,225,516	2,333,380	107,864
Grants/contributions/other	1,117,438	-	1,117,438	4,652,737	3,535,299
Interest	56,000	-	56,000	67,883	11,883
Operating/capital loans	500,000	-	500,000	90,000	(410,000)
Total resources	\$ 17,470,633	\$ -	\$ 17,470,633	\$ 20,387,682	\$ 2,917,049
Expenditures:					
Personal services	\$ 12,317,981	\$ -	\$ 12,317,981	\$ 12,356,215	\$ (38,234)
Materials and services	3,714,728	-	3,714,728	4,104,739	(390,011)
Gross capital outlay	1,152,922	-	1,152,922	1,189,730	(36,808)
Debt service	406,716	-	406,716	2,197,272	(1,790,556)
Total expenditures	\$ 17,592,347	\$ -	\$ 17,592,347	\$ 19,847,956	\$ (2,255,609)
Change in net position - Budgetary				\$ 539,726	
Reconciliation of statutory operating expenditures to GAAP-basis operating expenses:					
Add: Purchase of equipment				1,189,730	
Add: Long-term debt and capital leases principal reductions				2,197,272	
Add: Capital grants and contributions				594,095	
Less: Long-term debt additions				90,000	
Less: Depreciation and amortization				<u>667,978</u>	
Total effects of reconciliation				<u>3,223,119</u>	
Change in net position - GAAP				3,762,845	
Net position - Beginning of year				<u>5,920,465</u>	
Net position - End of year				<u>\$ 9,683,310</u>	

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

Schedule of Property Tax Transactions and Outstanding Balances

Year Ended June 30, 2021

<i>Fiscal Year</i>	Property Taxes Receivable July 1, 2020	Current Levy as Extended by Assessor	Discount Allowed	Corrections and Adjustments	Interest	Cash Collections	Property Taxes Receivable June 30, 2021
2020-2021	\$ -	\$ 2,301,560	\$ (67,982)	\$ 113,667	-	\$ (2,320,586)	\$ 26,659
2019-2020	29,652	-	95	(3,217)	-	(9,580)	16,950
2018-2019	16,591	-	10	(390)	-	(3,981)	12,230
2017-2018	19,367	-	9	(361)	-	(6,647)	12,368
2016-2017	7,973	-	-	(310)	-	(6,653)	1,012
2015-2016	801	-	-	(49)	-	(197)	555
2014-2015	362	-	-	(47)	-	(163)	152
Prior	249	-	-	(5)	-	(141)	103
Totals	\$ 74,995	\$ 2,301,560	\$ (67,868)	\$ 109,288	-	\$ (2,347,948)	\$ 70,029

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

Schedule of Future Debt Service Requirements Year Ended June 30, 2021

Maturing During Year Ending	USDA Hospital Remodel		Bank of Eastern Oregon Remodel Loan		GEODC/Morrow County Irrigon Clinic Remodel		GEODC/Morrow County House Loan		Bank of Eastern Oregon Amb		Bank of Eastern Oregon Boardman Building Loan		GEODC/Morrow County Boardman Building Loan		Bank of Eastern Oregon Procedure Room Remodel Loan		Bank of Eastern Oregon Omnicell & Ultrasound Loan		Bank of Eastern Oregon IMC Expansion Loan		Bank of Eastern Oregon Boardman Ambulance Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 29,003	\$ 38,461	\$ 46,428	\$ 3,374	\$ 10,188	\$ 301	\$ 7,652	\$ 3,028	\$ 7,169	\$ 33	\$ 16,626	\$ 4,604	\$ 9,818	\$ 957	\$ 38,060	\$ 1,147	\$ 74,859	\$ 5,660	\$ 43,081	\$ 16,023	\$ 28,610	\$ 4,179
2023	30,412	37,053	48,560	1,242	9,493	96	7,924	2,756	4	-	17,303	3,926	9,966	809	9,895	63	78,298	2,221	45,060	14,044	29,820	2,968
2024	31,888	35,576	1,096	5	-	-	8,206	2,474	-	-	18,008	3,221	10,116	659	-	-	6,708	25	47,130	11,974	31,077	1,711
2025	33,436	34,028	-	-	-	-	8,497	2,182	-	-	18,742	2,488	10,269	506	-	-	-	-	49,295	9,809	24,120	421
2026	35,059	32,405	-	-	-	-	8,800	1,880	-	-	19,505	1,724	10,424	351	-	-	-	-	51,560	7,544	-	-
2027-2031	202,541	134,779	-	-	-	-	48,921	4,477	-	-	32,460	1,092	17,724	233	-	-	-	-	139,473	8,258	-	-
2032-2036	256,717	80,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037-2041	204,506	16,631	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 823,562	\$ 409,536	\$ 96,084	\$ 4,621	\$ 19,681	\$ 397	\$ 90,000	\$ 16,797	\$ 7,173	\$ 33	\$ 122,644	\$ 17,055	\$ 68,317	\$ 3,515	\$ 47,955	\$ 1,210	\$ 159,865	\$ 7,906	\$ 375,599	\$ 67,652	\$ 113,627	\$ 9,279

Maturing During Year Ending	Bank of Eastern Oregon Boilers Loan		Total	
	Principal	Interest	Principal	Interest
2022	\$ 26,421	\$ 3,547	\$ 337,915	\$ 81,315
2023	27,553	2,429	314,288	67,607
2024	28,682	1,267	182,911	56,912
2025	14,762	180	159,121	49,614
2026	-	-	125,348	43,904
2027-2031	-	-	441,119	148,839
2032-2036	-	-	256,717	80,603
2037-2041	-	-	204,506	16,631
Total	\$ 97,418	\$ 7,423	\$ 2,021,925	\$ 545,425

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Morrow County Health District
d/b/a Pioneer Memorial Hospital
Heppner, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (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 as listed in the table of contents, and have issued our report thereon dated November 23, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of District’s internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

November 23, 2021
Spokane, Washington

Independent Auditor's Comments and Disclosures on Compliance in Accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*

Board of Directors
Morrow County Health District
d/b/a Pioneer Memorial Hospital
Heppner, Oregon

We have audited the accompanying financial statements of Morrow County Health District d/b/a Pioneer Memorial Hospital (the "District") as of and for the year ended June 30, 2021, and have issued our report thereon dated November 23, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-10-000 to 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure (OAR 162-010-0230)
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds (OAR 162-010-0240)
- The requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness (OAR 162-010-0250)
- The requirements relating to the preparation, adoption, and execution of the annual budgets for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (OAR 162-010-0260)
- The requirements relating to insurance and fidelity bond coverage (OAR 162-010-0270)
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies (OAR 162-010-0280)
- The statutory requirements pertaining to the investment of public funds (OAR 162-010-0300)
- The requirements pertaining to the awarding of public contracts and the construction of public improvements (OAR 162-010-0310)

Compliance with the requirements, laws, regulations, contracts, and grants is the responsibility of the District's management. Providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

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

Additional commentary regarding our test results is listed on the following pages.

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

Wipfli LLP

Wipfli LLP

By:

Eric Volk

Eric Volk, CPA, Oregon Municipal Auditor, Lic# 1637

November 23, 2021
Spokane, Washington

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

Audit Comments and Disclosures Required by State Regulations

Year Ended June 30, 2021

Accounting Records

The records of the District are adequate for audit purposes.

Adequacy of Collateral Securing Depository Balance

ORS Chapter 295 provides that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 110% of the greater of:

- a. All public funds held by the bank depository or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

As of June 30, 2021, the District did not maintain any uncollateralized deposits and, therefore, appears to be in compliance with collateral requirements.

Indebtedness

The District, during the year ended 2021, appeared to be in compliance with statutory requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness.

Budget and Oregon Local Budget Law Compliance

The budget documents related to Morrow County Health District for 2019, 2020, and 2021 were reviewed. The District appears to have substantially complied with the legal requirements related to the preparation, adoption, and execution of the budget for the year ended June 30, 2021, and preparation and adoption of the budget for the upcoming fiscal year.

Health districts with fiscal years beginning on or after July 1, 2002, are exempt from ORS 295.434(4), which restricted municipal corporations from making expenditures in excess of budgeted amounts.

Insurance and Fidelity Bond Coverage

The District's insurance policies appear to be in force. We are not competent, by training, to state whether the insurance coverage in force at June 30, 2021, was adequate. The District does review insurance coverage annually with its insurance agent.

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

Audit Comments and Disclosures Required by State Regulations (Continued)

Year Ended June 30, 2021

Programs Funded From Outside Sources

During the year ended June 30, 2021, the District complied, in all material respects, with laws, regulations, contracts, and grants pertaining to programs funded from outside sources. Additional comments may be noted in our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on pages 43 and 44 of this report.

Investment of Public Funds

The District appears to have complied with legal provisions regarding investment of public funds.

Public Contracts and Purchasing

Pursuant to ORS Chapter 279, the District has followed procedures of obtaining bids and cost estimates prior to the acquisition of property and equipment to ensure that such improvements and equipment are acquired at the lowest reasonable cost. The District was in substantial compliance with the provisions of ORS Chapter 279 during the year ended June 30, 2021.

Federal and State Grants

We reviewed and tested, to the extent deemed appropriate, transactions and reports of the federal and state programs in which the District participates. The scope of our audit engagement did not require us to make a complete audit examination of each project, and our audit opinion on the District's basic financial statements does not cover each individual grant. The District appears to be in compliance with all applicable grant requirements.