

SHERMAN COUNTY HEALTH DISTRICT

SHERMAN COUNTY, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

SHERMAN COUNTY HEALTH DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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SHERMAN COUNTY HEALTH DISTRICT

FOR THE YEAR ENDED JUNE 30, 2023

BOARD OF DIRECTORS

<u>MEMBERS</u>		<u>TERM EXPIRES</u>
Robert Perisho President	P.O. Box 186 Moro, OR 97039	6/30/25
Jayne Mason Vice-President	P.O. Box 186 Moro, OR 97039	6/30/25
Janice Strand Director	P.O. Box 186 Moro, OR 97039	6/30/25
Mike McArthur Director	P.O. Box 186 Moro, OR 97039	6/30/23
Linda Cornie Director	P.O. Box 186 Moro, OR 97039	6/30/23

ADMINISTRATIVE STAFF

Caitlin Blagg	PO Box 186 Moro, OR 97039	District Administrator
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ATTORNEY

Ruben D Cleaveland	VanKoten & Cleaveland LLC 417 Sherman Ave, Suite 7 Hood River, Oregon 97031
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INSURANCE AGENT

SDIS	PayneWest Insurance 850 SW 4 <sup>th</sup> St, Suite 300 Madras, Oregon 97741
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sherman County Health District  
Moro, Oregon

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Sherman County Health District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sherman County Health District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of Sherman County Health District, as of June 30, 2023, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sherman County Health District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter—Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation,

and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sherman County Health District's basic financial statements. The budgetary basis fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary basis fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Matters**

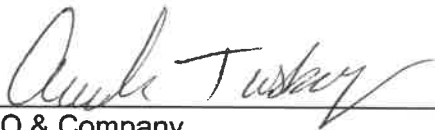
*Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 14, 2023, on our consideration of 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.



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RTO & Company  
The Dalles, OR 97058  
September 14, 2023

SHERMAN COUNTY HEALTH DISTRICT

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

JUNE 30, 2023

(all amounts are in dollars)

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS:</u>	
Cash and Investments	404,204
Capital Assets (Note 3B):	
Nondepreciable, Land	23,000
Depreciable, Net of Accumulated Depreciation	<u>744,621</u>
<b>TOTAL ASSETS</b>	<u><b>1,171,826</b></u>
<u>LIABILITIES:</u>	
Payroll Taxes Withheld Payable	5,466
Long-Term Liabilities (Note 3C):	
Due within one year	7,371
Due in more than one year	<u>200,897</u>
<b>TOTAL LIABILITIES</b>	<u><b>213,734</b></u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	559,353
Unrestricted	<u>398,738</u>
<u><b>TOTAL NET POSITION</b></u>	<u><u><b>958,091</b></u></u>

The accompanying notes are an integral part of this financial statement



SHERMAN COUNTY HEALTH DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>Net Revenues, (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
Governmental Activities:					<u>Total Governmental Activities</u>
Health Care Services	725,091	341,591	-	4,863	(378,636)
Interest on Long-Term Debt	9,554	-	-	-	(9,554)
<b>TOTAL GOVERNMENTAL ACTIVITIES:</b>	<b>734,645</b>	<b>341,591</b>	<b>-</b>	<b>4,863</b>	<b>(388,190)</b>

General Revenues:	
Property Taxes, Levied for General Purposes	302,502
Community Service Fees/SIP	123,651
Interest and Investment Earnings	11,626
Miscellaneous	1,373
<u>Total General Revenues</u>	<u>439,153</u>
Change in net position	50,962
Net position, beginning July 1	<u>907,129</u>
Net position, ending June 30	<u>958,091</u>

The accompanying notes are an integral part of this financial statement

SHERMAN COUNTY HEALTH DISTRICT  
BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023  
(all amounts are in dollars)

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS:</u>		
Cash and Investments	<u>404,204</u>	<u>404,204</u>
<u>TOTAL ASSETS</u>	<u>404,204</u>	<u>404,204</u>
<u>LIABILITIES &amp; FUND BALANCES</u>		
<u>LIABILITIES:</u>		
Payroll Taxes Withheld Payable	<u>5,466</u>	<u>5,466</u>
<u>TOTAL LIABILITIES</u>	<u>5,466</u>	<u>5,466</u>
<u>FUND BALANCES</u>		
Unassigned	<u>398,738</u>	<u>398,738</u>
<u>TOTAL FUND BALANCES</u>	<u>398,738</u>	<u>398,738</u>
<u>TOTAL LIABILITIES &amp; FUND BALANCES</u>	<u>404,204</u>	<u>404,204</u>

The accompanying notes are an integral part of this financial statement

SHERMAN COUNTY HEALTH DISTRICT

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30 2023

(all amounts are in dollars)

Fund Balances - Governmental Funds	398,738
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets:

Nondepreciable Assets, Land

23,000

Depreciable Assets, Net of Depreciation

744,621

767,621

Long-term liabilities are not due and payable within the current period and, therefore, are not reported in the governmental funds.

(208,268)

Net Position of Governmental Activities 958,091

The accompanying notes are an integral part of this financial statement

SHERMAN COUNTY HEALTH DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES:</u>		
Property Taxes	302,502	302,502
Community Service Fees/SIP	123,651	123,651
Clinic Income	205,920	205,920
Other Grants/Reimbursements	3,659	3,659
SDAO Safety Grant	4,863	4,863
PCPCH Income	94,193	94,193
Pharmacy Income	1,250	1,250
Rent Income	36,570	36,570
Interest Income	11,626	11,626
Miscellaneous	1,373	1,373
<u>TOTAL REVENUES</u>	<u>785,607</u>	<u>785,607</u>
<u>EXPENDITURES:</u>		
Current:		
Health Care Services:	695,954	695,954
Capital Outlay	23,920	23,920
Debt Service		
Principal	7,246	7,246
Interest	9,554	9,554
<u>TOTAL EXPENDITURES</u>	<u>736,674</u>	<u>736,674</u>
Net Change in Fund Balance	<u>48,933</u>	<u>48,933</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>349,805</u>	<u>349,805</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>398,738</u>	<u>398,738</u>

The accompanying notes are an integral part of this financial statement

SHERMAN COUNTY HEALTH DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

Total Net Change in Fund Balances - Governmental Funds	48,933
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report repayment of debt principal as a disbursement, but the repayment reduces long-term liabilities in the Statement of Net Position. Similarly, loan forgiveness and accrued interest affect long-term liabilities in the Statement of Net Position, but have no effect on current financial resources reported in the governmental funds.

Repayment of debt principal	7,246
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Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	23,920	
Less current year depreciation	<u>(29,137)</u>	(5,217)

Change in Net Position of Governmental Activities	<u>50,962</u>
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The accompanying notes are an integral part of this financial statement

SHERMAN COUNTY HEALTH DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

**A. REPORTING ENTITY**

The District is governed by a five-member Board of Directors who are elected to terms of four years. The financial affairs of the District are handled by the District's Administrator. Generally accepted accounting principles require that these financial statements present Sherman County Health District (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. Sherman County Health District has no component units.

The Sherman County Health District was formed on August 2, 1995 for the purpose of supplying the District's inhabitants with facilities for health care. The District operates the Sherman County Medical Clinic.

**B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities report information on all the non-fiduciary governmental activities of the District as a whole within the limitations of modified cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District's program revenues include 1) charges for services, 2) operating grants and contributions and 3) capital contributions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The District has no business-type activities.

**FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The District's funds are organized into one major category: governmental. The District has no proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are grouped in the financial statements as follows:

### **Governmental Fund Types**

**General Fund:** The General Fund is the District's primary operating fund and is always classified as a major fund. Currently, this is the District's only fund. This fund type is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The principal revenue source is property taxes. Primary disbursements are for public health services.

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

### **MEASUREMENT FOCUS**

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Under this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with the activities are generally reported within the limitations of modified cash basis of accounting.

The governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on the balance sheets. The operating statement presents sources and uses of available spendable financial resources during a given period. Fund balance is the measure of available spendable financial resources at the end of the period.

### **BASIS OF ACCOUNTING**

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net

position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

#### **D. FINANCIAL POSITION**

##### **CASH AND CASH EQUIVALENTS**

For the purpose of reporting, "Cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

##### **INVESTMENTS**

The District's Investments consist of monies invested in the State of Oregon Local Government Investment Pool (LGIP). Investments are carried at cost, which approximates fair value.

##### **CAPITAL ASSETS**

The District's modified cash basis of accounting reports capital assets from cash transactions or events and reports depreciation, when appropriate.

##### **Government-wide Financial Statements**

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of more than one year.



Capital assets are depreciated using the straight line method over the following useful lives:

Equipment	5 to 15 years
Building and Improvements	15 to 40 years

Currently, the District does not own any infrastructure assets.

### **Fund Financial Statements**

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### **LONG TERM DEBT**

All long-term bonds, notes and other debt arising from cash transactions or events to be repaid from the governmental resources are reported as liabilities in the government-wide statements.

### **NET POSITION/FUND BALANCE CLASSIFICATIONS**

#### **Government-Wide Financial Statements**

Net Position is classified and displayed in three components:

1. *Net Investment in Capital Assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or through constitutional provisions or enabling legislation.
3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

### **Fund Financial Statements**

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balances with respective levels of constraint. In the

fund financial statements, Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, and Governmental Fund Type Definitions (GASB 54) define the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the five balance components listed:

**Nonspendable.** Amounts cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

**Restricted.** Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributor, or law or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

**Committed.** Amounts that can only be used for the specific purposes determined by a formal action of the District's Board of Directors, which includes resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (resolution) it employed previously to commit those amounts.

**Assigned.** Amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The authority for assigning fund balance is expressed by the Board of Directors, or their designee as established in the District's Fund Balance Policy.

**Unassigned.** This residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned, as they are needed.

#### COMPENSATED ABSENCES

The District's employees accumulate vacation pay in varying amounts depending on years of continued service. It is the District's policy to permit employees to accumulate earned but unused vacation pay up to 240 hours. However, an employee cannot utilize more than 160 hours of vacation time in a calendar year, without approval by their supervisor. If an employee has at least 80 hours of vacation, the employee can request compensation for vacation hours in excess of 80 hours. All outstanding vacation time is payable upon termination of employment.

Sick Leave accumulates at the rate of 4.00 hours for every pay period for full-time employees and is prorated for part-time employees who work more than 20 hours per week. Sick leave is limited to an accumulation of 240 hours and is not compensable upon termination of employment.

Because the liability for compensated absences does not result from cash basis transactions, no liability for compensated absences has been recorded in the District's

financial statements.

## **E. REVENUES AND EXPENDITURES**

### **PROGRAM REVENUES**

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity are reported as program receipts. The District has the following program receipts in each activity:

Health Care Services

Patient fees, pharmacy sales, building rent, grants and donations

### **PROPERTY TAX REVENUES AND RECEIVABLES**

Property taxes are levied on July 1 pursuant to Oregon Revised Statute 310.030. Taxes are payable in full on November 15 or are payable in installments the last of which is due on May 15 of the year following the year in which payment was imposed. Taxes become delinquent on personal property when any installment is not paid by its due date. Taxes become delinquent on real property if not paid by May 15. On January 1 and July 1 tax liens attach to personal and real property respectively to secure payment of all taxes, penalties and interest ultimately imposed. Personal Property is subject to summary seizure and the responsible taxpayer is subject to warrant service 30 days after delinquency date. Foreclosure proceedings begin on real property after three years from the date taxes become delinquent.

Property taxes are collected by the Sherman County Tax Collector and credited to the District's account. Funds are deposited by the Sherman County Tax Collector to the District's checking account and transferred, as necessary, by the District Administrator to the Local Government Investment Pool account.

## **F. USE OF ESTIMATES**

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. BUDGET AND BUDGETARY ACCOUNTING**

The budget is prepared on the modified cash basis method of accounting for each fiscal year July 1 through June 30. The budget process includes a series of notices and publications culminating with the budget hearing. After the public hearing has been held, the Board enacts the resolutions to adopt the budget, make appropriations, and declare the ad valorem tax levy for all funds.

The Appropriations Resolution contains amounts for personal services, materials and services, capital outlay, debt service, interfund transfers, and operating contingency as

appropriate for each fund other than the General Fund. The General Fund must be appropriated by organizational unit or program, such as health services. This is the level of control for authorized expenditures. The level of expenditures is monitored throughout the year. Transfers are made from operating contingency or between the major object classifications of the appropriation for each fund as required to prevent over expenditure. Appropriations for all funds lapse at the end of each fiscal year.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2023:

Demand Deposits	32,977
Investments	<u>371,227</u>
Totals	<u><u>404,204</u></u>

Custodial Credit Risk for Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP, a multiple financial institution collateral pool created by the Office of the State Treasurer.) To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank’s public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participated bank depositories, it does not guarantee that all funds are 100% protected. At June 30, 2023, the District did not have any deposits exposed to custodial credit risk or a formal policy to limit this risk.

Deposits with Financial Institutions – Deposits with financial institutions consist of bank demand deposits with institutions qualified under the Public Funds Collateralization Program (ORS 295). The carrying amount of deposits at June 30, 2023 was \$32,977. The total bank balance per the bank statement was \$55,527, all of which was covered by federal depository insurance.

Investments – The District’s cash management policies are governed by state statutes. Statutes authorize the District to invest in banker’s acceptance, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer’s Local Government Investment Pool. The Oregon Short-Term Fund is the LGIP for Local Governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council. The District’s investment in the LGIP is not rated and is treated as a cash equivalent on the Statement of Net Position. The fair value of the position in the LGIP is the same as the value of the pool shares. A copy of the State’s Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 340 Winter St. NE., Salem, Oregon 97310-0840.

Foreign Currency Risk – Oregon Revised Statutes prohibit investments that are not U.S.

Dollar-denominated; therefore, the District is not exposed to this risk.

*Custodial Credit Risk for Investments* – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. At June 30, 2023, the District did not have any investments exposed to custodial credit risk and does not have a formal policy to limit this risk.

*Credit Risk for Investments* – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LGIP is unrated.

*Concentration of Credit Risk for Investments* – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. There are no investments in any one issuer that represent five percent or more of the District's total investments and no formal policy to limit this risk.

*Interest Rate Risk for Investments* – Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. The District manages its exposure to interest rate risk by limiting its investments to the LGIP.

## **B. CHANGES IN CAPITAL ASSETS**

A summary of changes in Capital Assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets				
Land	\$ 23,000	-	-	\$ 23,000
Total Nondepreciable capital assets	<u>\$ 23,000</u>	<u>-</u>	<u>-</u>	<u>\$ 23,000</u>
Depreciable capital assets:				
Buildings & Improvements	822,026	10,695	-	832,721
Machinery & Equipment	<u>103,185</u>	<u>13,225</u>	<u>-</u>	<u>116,410</u>
Total depreciable capital assets	<u>925,211</u>	<u>23,920</u>	<u>-</u>	<u>949,131</u>
Less accumulated depreciation for:				
Buildings & Improvements	(144,829)	(20,956)	-	(165,785)
Machinery & Equipment	<u>(30,544)</u>	<u>(8,181)</u>	<u>-</u>	<u>(38,725)</u>
Total accumulated depreciation	<u>(175,373)</u>	<u>(29,137)</u>	<u>-</u>	<u>(204,510)</u>
Total depreciable assets net of accumulated depreciation	<u>\$ 772,837</u>	<u>(5,217)</u>	<u>-</u>	<u>\$ 767,621</u>

### C. RETIREMENT PLAN

Effective August 1, 2004, the District established a SIMPLE IRA (Savings Incentive Match Plan for Employees, Individual Retirement Account) plan under Section 408 of the Internal Revenue Code. The plan is a defined contribution plan. All employees of the District who are expected to receive at least \$5,000 in compensation during the current plan year and who have received at least \$5,000 of compensation in one prior year are eligible to participate in the plan. For each plan year, the District is required to match each employee's elective deferral contributions, not to exceed the lesser of three percent of the employee's compensation or the employee's elective deferral contributions.

The plan was established by a formal action of the District's Board of Directors and a similar action is required to amend the existing SIMPLE IRA plan or the District's required matching contribution.

The plan is administered by American Funds and Merrill Lynch. After payment of the contributions, the District has no further involvement with eligible recipients.

For the fiscal year ended June 30, 2023, contributions to the plan totaled \$41,305 of which \$30,530 was employee elective deferrals and \$10,775 was the District's match. This represented 100% of the District's required contribution for the fiscal year.

For the fiscal year ended June 30, 2022, contributions totaled \$37,464 of which \$27,756 were employee elective deferrals and \$9,708 was the District's match. For the fiscal year ended June 30, 2021, contributions to the plan totaled \$29,542 of which \$24,100 was employee elective deferral and \$5,442 was the District's match.

#### D. LONG TERM DEBT

*Note Payable on Building Purchase* – On December 15, 2021, the District purchased a new building behind the clinic at 109 Scott St. The total purchase price of the building was \$290,000. The District entered into a loan agreement with Bank of Eastern Oregon for \$219,000 of the purchase price. The loan calls for monthly payments of \$1,385, with an interest rate of 4.5% and balance due in full by December 2041. Future debt payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
			208,268
2023-2024	7,371	9,255	200,897
2024-2025	7,735	8,891	193,162
2025-2026	8,091	8,535	185,071
2026-2027	8,462	8,164	176,609
2027-2028	8,830	7,796	167,779
2028-2033	50,718	32,410	117,061
2033-2038	63,495	19,634	53,566
2038-2041	53,566	4,449	-
Total	<u>208,268</u>	<u>99,134</u>	

#### CHANGES IN LONG TERM DEBT:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
BEO Loan	215,514	-	(7,246)	208,268	7,371

#### NOTE 4 – OTHER INFORMATION

##### A. RISK MANAGEMENT

The District purchases commercial insurance policies to insure against most hazards. There have been no significant reductions in the District's insurance coverage, in any risk category, from coverage in the prior year. Settlement amounts have not exceeded insurance coverage in any of the past three years.

##### B. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this financial statement with management. The date of this financial statement is also the issuance date. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

### **C. COMMITMENTS AND CONTINGENCIES**

The District has elected to self-insure for unemployment tax purposes. The District has not set up a reserve fund to cover any future liability and no tax is paid or disbursement recorded until a claim is made against the District. There were no claims against the District during the fiscal year ended June 30, 2023. Accordingly, there was no need to reimburse the Oregon Department of Employment during the fiscal year.



## OTHER SUPPLEMENTARY INFORMATION

### **Budgetary Comparison Schedules – Budgetary Basis**

Major governmental funds are defined as those funds whose revenues, expenditures, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds for the same items. The general fund is always classified as a major fund.

**General Fund:** The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

SHERMAN COUNTY HEALTH DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

WITH BUDGETARY COMPARISONS - BUDGETARY BASIS

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES:</u>				
Property Taxes	274,526	274,526	302,502	27,976
Community Service Fees/SIP	48,856	48,856	123,651	74,795
Clinic Income	192,853	192,853	205,920	13,067
Pharmacy Income	2,597	2,597	1,250	(1,347)
Interest Income	1,439	1,439	11,626	10,187
Other Grants/Reimbursements	-	-	3,659	3,659
SDAO Safety Grant	-	-	4,863	4,863
PCPCH Income	54,000	54,000	94,193	40,193
Rental Income	21,600	21,600	36,570	14,970
Miscellaneous	-	-	1,373	1,373
<u>TOTAL REVENUES</u>	<u>595,871</u>	<u>595,871</u>	<u>785,607</u>	<u>189,736</u>
<u>EXPENDITURES</u>				
<u>PERSONAL SERVICES:</u>				
Employee Wages and Salaries	450,293	450,293	425,128	25,165
Payroll Taxes	36,052	36,052	31,141	4,911
Unemployment Insurance	36,352	36,352	-	36,352
Employee Benefits	102,853	102,853	84,462	18,391
<u>TOTAL PERSONAL SERVICES</u>	<u>625,550</u>	<u>625,550</u>	<u>540,731</u>	<u>84,819</u>

SHERMAN COUNTY HEALTH DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

WITH BUDGET COMPARISONS - BUDGETARY BASIS

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

<u>EXPENDITURES (CONTINUED)</u>	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>MATERIALS AND SERVICES:</u>				
Supervising Physician	31,950	31,950	25,550	6,400
Education and Training	15,070	15,070	8,939	6,131
Utilities	20,038	20,038	17,408	2,630
Medical Supplies	26,543	26,543	27,961	(1,418)
Building Supply and Maintenance	5,147	5,147	4,183	964
Clinic Insurance and Legal Fees	18,634	18,634	15,981	2,653
Administration and Audit	44,785	44,785	30,374	14,411
Pharmacy	2,730	2,730	1,515	1,215
Property Taxes	2,364	2,364	1,011	1,353
Computer Equipment & Technology	16,356	16,356	11,678	4,678
EHR and Billing Services	12,357	12,357	10,622	1,735
<u>TOTAL MATERIAL &amp; SERVICES</u>	<u>195,974</u>	<u>195,974</u>	<u>155,222</u>	<u>40,752</u>
<u>CAPITAL OUTLAY:</u>				
Medical Equipment	10,000	10,000	3,500	6,500
Office Equipment	10,000	10,000	9,725	275
Building Remodel	15,000	15,000	10,695	4,305
<u>TOTAL CAPITAL OUTLAY</u>	<u>35,000</u>	<u>35,000</u>	<u>23,920</u>	<u>11,080</u>
<u>DEBT SERVICE:</u>				
Principal	7,248	7,248	7,246	2
Interest	9,552	9,552	9,554	(2)
<u>TOTAL DEBT SERVICE</u>	<u>16,800</u>	<u>16,800</u>	<u>16,800</u>	<u>0</u>
<u>CONTINGENCY</u>	<u>47,394</u>	<u>47,394</u>	<u>-</u>	<u>47,394</u>
<u>TOTAL EXPENDITURES</u>	<u>920,718</u>	<u>920,718</u>	<u>736,674</u>	<u>184,044</u>
Net Change in Fund Balance	(324,847)	(324,847)	48,933	373,780
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>324,847</u>	<u>324,847</u>	<u>349,805</u>	<u>24,958</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>-</u>	<u>-</u>	<u>398,738</u>	<u>398,738</u>



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

Board of Directors  
Sherman County Health District  
Moro, Oregon

We have audited the basic financial statements of the Sherman County Health District as of and for the year ended June 30, 2023, and have issued our report thereon dated September 14, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Sherman County Health District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe that Sherman County Health District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

Budget:

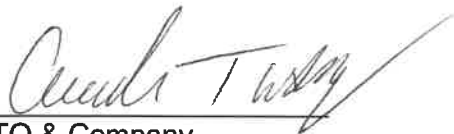
- 1) The appropriations resolution included an appropriation for capital outlay under the general fund. This amount should have been appropriated under health services instead in order to be consistent with appropriating by organizational program.
- 2) The beginning cash balances in the historical columns of the budget document are inaccurate.
- 3) Outstanding debt for 'other borrowings' was not listed on LB-1 form for the building loan.

#### **OAR 162-10-0230 internal Control**

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. In a separate communication dated September 14, 2023, we reported to management our findings related to control deficiencies.

#### **Restriction on Use**

This report is intended solely for the information and use of the board of directors and management of Sherman County Health District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



RTO & Company  
The Dalles, OR 97058  
September 14, 2023