

Lake Health District d/b/a Lake District Hospital

Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022



Lake Health District
Quality Care Close to Home

Lake Health District d/b/a Lake District Hospital

Directory of Officials

June 30, 2023

Board of Directors

Don Liddycoat	Chair
John Shine	Treasurer
Jerald Steward	Secretary
Jane O'Keefe	Member
Jennifer Antle	Member

Administrator

Charles Tveit	CEO
---------------	-----

Mailing Address

Lake District Hospital
700 South J Street
Lakeview, OR 97630

Independent Auditor's Report

Board of Directors
Lake Health District d/b/a Lake District Hospital
Lakeview, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Lake Health District d/b/a Lake District Hospital (the "District") and Goose Lake Medical Services (GLMS), its discretely presented component unit, which comprise the statements of net position as of June 30, 2023 and 2022, and the statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District and GLMS, its discretely presented component unit as of June 30, 2023 and 2022, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96 - *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

GAAP requires that a management's discussion and analysis on pages 5 through 10, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the GASB 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 GAAS, 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 as a whole. The combining statements of net position of GLMS and LVG; combining statements of revenues, expenses, and changes in net position of GLMS and LVG; and schedule of adopted appropriations and expenditures - original, final budget, and actual (supplementary information), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary 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 December 27, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for for Audits of Oregon Municipal Corporations, we have issued our report dated March 30, 2023, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provision 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
Spokane, Washington

December 27, 2023

By:

Eric Volk

Eric Volk, CPA, Oregon Municipal Auditor, Lic#15265

Lake Health District d/b/a Lake District Hospital

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

Our discussion and analysis of Lake Health District d/b/a Lake District Hospital's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2023. Please read it in conjunction with the financial statements that follow this analysis.

The District is a governmental entity, a political subdivision of the State of Oregon. The State of Oregon has provided counties authority to create independent health districts rendering hospital and other healthcare services for the residents of the District. The District was created by public vote on July 18, 1967, and the current District facility opened its doors in 1971. The District operates a 24-bed acute care hospital, obstetrical services, surgery, emergency department, and related ancillary services (lab, x-ray, etc.). Outpatient clinic services are provided both through leased physician clinic facilities for which the District provides buildings to support those operations and through the District-owned rural health clinics (RHCs).

A five-member Board of Directors governs the District. The members of the Board are elected for a term of four years, and elections are staggered, so they are held every two years. The Board is required to elect a chairman, secretary, and treasurer. One of their duties is to hire an Administrator/Chief Executive Officer (CEO). The Board delegates the day-to-day operations of the District to the CEO.

As a municipal government entity, the District levies and the county collects property taxes from property owners in the District. This tax revenue is used to support the purpose of the District, which is to provide healthcare services to its members. Tax receipts represented approximately 4.2% and 3.9% of District receipts for the years ended June 30, 2023 and 2022, respectively.

The Governmental Accounting Standards Board (GASB) prescribes the financial reporting of the District. 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.

Issues Facing the District

There are issues facing the District that could result in material changes in its financial position in the long term. Among those issues are:

- Risks related to Medicare and Medicaid reimbursement because of state and national healthcare reform and budget shortfalls.
- Labor shortages for healthcare professionals, including physicians, registered nurses, and other healthcare-related fields. Increasing employee and employee benefit costs.
- Increasing numbers of underinsured patients.
- High liability and malpractice insurance premiums for the hospital and physician practices.
- Concern about retaining and recruiting primary care physicians.
- Difficulty recruiting and maintaining specialty physician services in the community.

Lake Health District d/b/a Lake District Hospital

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

The District's hospital is certified as a provider under both the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, which is funded jointly by the federal government and the states, and provides medical assistance to certain needy individuals and families. Approximately 40% of the gross patient revenue for the fiscal year ended June 30, 2023, was derived from Medicare, 22% from Medicaid, 33% from other insurance, and 5% from private pay or uninsured patients.

Designated as a Critical Access Hospital (CAH) since December 2001, the District's hospital services for Medicare and Medicaid beneficiaries are paid on a cost reimbursement basis. Interim payments are computed on a percentage of charges, derived from the most recently filed Medicare Statement of Reimbursable Cost.

Medicare compensates the District on fixed rates for different classifications of skilled nursing, home health, hospice, and physician services. When the reimbursement is fixed, the District is at risk to lose money on any service for which expenses exceed the reimbursement.

Under Medicaid, the federal government provides grants to states that have programs meeting certain federal guidelines. These funds or programs continue to be reduced as Oregon's state government has attempted to balance its budget.

In recent years, both the state and federal governments have increased enforcement of laws designed to combat healthcare fraud, and additional anti-fraud legislation has been adopted at both the federal and state levels. The fines for violation of these laws can be substantial. Failure of the District to be in compliance with these laws could also result in the exclusion of Medicare and Medicaid funds along with criminal penalties.

Risks Related to HIPAA

Under the Health Insurance Portability and Accountability Act (HIPAA), health plans, healthcare clearinghouses, and healthcare providers, including hospitals and their business partners, must maintain reasonable and appropriate administrative, technical, and physical safeguards to ensure the integrity and confidentiality of electronic healthcare information.

The District must also protect against reasonably foreseeable threats to the security or integrity of the information and protect against unauthorized use or disclosure.

Penalties are high and may include the loss of Medicare and Medicaid funds, fines, and criminal sanctions. The implementation of an electronic medical records system and upgrades to the District's information system in 2011 helped to strengthen security related to HIPAA. The expanding use of smartphones and other portable computers is adding to risk of potential security breaches.

Lake Health District d/b/a Lake District Hospital

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

General Risks Affecting Healthcare Facilities

Technology and Service

Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety programs, and outpatient healthcare delivery may reduce utilization and revenues for the District in the future. Technological advances continue to accelerate the trend toward the use of sophisticated equipment and services for diagnosis and treatment of healthcare illnesses and diseases.

Employment and Labor Issues

The District is a major employer in the community and has a complex mix of professional, technical, clerical, maintenance, dietary, housekeeping, union, and nonunion workers. Potential risks include contract disputes, discrimination claims, personal tort actions, and claims for work-related injuries and exposures to hazardous materials. A shortage of nursing staff and other medical professional/technical employees is contributing to higher salaries and increased utilization of agency staff at a premium wage rate.

Competition

Even in a rural geographic location, competition from other hospitals and healthcare providers is a risk to the District's revenue. Tertiary care facilities and others offering specialty care often promote competitive profitable services to those provided locally.

Insurance

Malpractice costs for hospitals and physicians have increased significantly over the last decade. These increases have caused providers to leave certain geographic areas and certain specialties. There are substantially higher premiums in Oregon given that there is no cap on malpractice damages, resulting in heightened exposure for healthcare providers.

Cost-Based Reimbursement

CAHs are paid under a cost-based reimbursement method from Medicare and Medicaid. Gains and losses on services performed for those hospital patients are limited. The larger gains and losses come from private insurance and self-pay. Home health and hospice are not paid under a cost-based reimbursement method.

Financial Discussion

Enhanced details of financial highlights are explained below:

1. **Data System:** The District converted to a new Electronic Health Record (EHR) system on April 1, 2020. Implementing one EHR across all departments of the hospital and clinics helps to unite and streamline processes, resulting in greater care and positive patient experience.

Lake Health District d/b/a Lake District Hospital

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

Financial Discussion (Continued)

- 2. Surgery Service:** The District had been seeking to expand its surgical services for a number of years. In May 2012, a general surgeon was hired as a permanent solution to allow for more local surgical procedures, thus reducing travel for many patients living in or near the District. This practice increased in 2022 and 2023 with the addition of orthopedic surgery.
- 3. Lakeview Gardens, LLC:** The license for long-term care was separated from the District on December 1, 2014, to Lakeview Gardens, LLC "Lakeview Gardens", a not-for-profit company. Lakeview Gardens operates and is responsible for the long-term care operations previously managed and owned by Lake Health. The District is leasing the skilled nursing facility space to Lakeview Gardens. Lakeview Gardens LLC closed on August 18, 2023.
- 4. Provider-Based RHC:** The District retrospectively transitioned some of the clinical operations from Goose Lake Medical Services (a discretely presented component unit) to the District as a department of the hospital. The District has spent years pursuing provider-based status for this clinic, which will increase both Medicare and Medicaid reimbursement substantially.

2023 Financial Highlights

The District's overall business increased in 2023 with net patient service revenue at \$37.4 million, an increase of \$1.6 million, or 5%, from 2022.

Adjustments, including revenue deductions, allowances, charity, and bad debts reduced gross patient revenue in 2023 by \$14.5 million, or 27.9% of gross patient revenue. Revenue deductions increased by 7% from 2022 as a result of increased contractual adjustments and bad debts.

In total, the District's operating expenses decreased in 2023 by \$1 million, or 2%, from 2022. Salary and benefits increased in 2023 by approximately \$0.2 million, or less than 1%. Full-time equivalents (FTE) decreased from 339 in 2022 to 308, or 9%, in 2023.

Net nonoperating expense/revenue totaled \$0.9 million in 2023, a decrease of \$5,356,218, or 86%, from 2022. This increase was a result of \$4.4 million in PPP loans forgiven and operating transfers to GLMS.

The District had a decrease in net position of \$4,408,495 in 2023 compared with a decrease in net position of \$1,935,808 in 2022.

Net accounts receivable decreased from \$9.1 million in 2022 to \$8.7 million, or 4%, in 2023.

Capital Assets

Lake District spent \$324,641 and \$820,273 in capital expenditures in 2023 and 2022, respectively. The majority of the expenditures in 2023 and 2022 were related to the new EMR building and the purchase of equipment.

Lake Health District d/b/a Lake District Hospital

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

Long-Term Debt

In 2011, the remodel and previously completed 37,000-square-foot expansion completed a \$22 million project. These amounts are financed by a combination of community support in the passing of an \$8 million general obligation bond, bank loans in the amount of \$10.5 million, and state loans in the amount of \$2.95 million. The U.S. Department of Agriculture (USDA) purchased the \$8 million bond and a \$550,000 revenue bond issued by the District.

The new and remodeled facilities alleviated problems related to space, quality of care, and privacy. In 2016, the District refinanced existing debt through a bond with Washington Federal for \$13.25 million and paid off \$2.5 million to the State of Oregon, \$9.9 million in existing loans with Washington Federal, and a USDA note for \$530 thousand. The savings in interest annually is calculated at approximately \$100,000.

In fiscal year 2017, the District issued draw-down revenue bonds totaling \$14,000,000 to finance construction for the long-term care and assisted living facility, clinic facility, and ambulance facility. At fiscal year-end, these bonds had a balance of \$12,226,813. The bonds have a maturity date of November 1, 2043.

Condensed financial information is as follows:

Condensed Statements of Net Position (In Thousands)

<i>June 30,</i>	2023	2022	Change 2023-2022
Assets:			
Other assets	\$ 15,871	\$ 18,738	\$ (2,867)
Capital assets	30,197	32,797	(2,600)
Total assets	\$ 46,068	\$ 51,535	\$ (5,467)
Liabilities:			
Other liabilities	\$ 13,048	\$ 12,827	\$ 221
Long-term liabilities	30,299	31,599	(1,300)
Total liabilities	43,347	44,426	(1,079)
Deferred inflow of resources	19	-	19
Net position:			
Restricted	1,155	1,526	(371)
Unrestricted	1,547	5,583	(4,036)
Total net position	2,702	7,109	(4,407)
Total liabilities, deferred inflows of resources, and net position	\$ 46,068	\$ 51,535	\$ (5,467)

Lake Health District d/b/a Lake District Hospital

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

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

<i>Years Ended June 30,</i>	2023	2022	<u>Change</u> 2023-2022
Operating revenue:			
Net patient service revenue	\$ 37,404	\$ 35,775	\$ 1,629
Other operating revenue	2,005	3,102	(1,097)
Total operating revenue	39,409	38,877	532
Operating expenses:			
Salaries and benefits	25,337	25,175	162
Supplies	2,909	3,450	(541)
Other	11,902	11,529	373
Depreciation and amortization	2,932	3,844	(912)
Total operating expenses	43,080	43,998	(918)
Operating loss	(3,671)	(5,121)	1,450
Nonoperating revenue (expenses):			
Property tax revenue	1,750	1,800	(50)
Interest expense	(1,148)	(1,181)	33
Noncapital grants and donations - Net	(393)	419	(812)
Miscellaneous	125	61	64
Forgiveness of PPP loan	29	4,382	(4,353)
Lease income	543	543	-
Other nonoperating expense	-	238	(238)
Net nonoperating revenue	906	6,262	(5,356)
Revenue in excess (deficit) of expenses after nonoperating revenue	(2,765)	1,141	(3,906)
Operating transfers to Goose Lake Medical Services	(1,642)	(3,077)	1,435
Decrease in net position	(4,407)	(1,936)	(2,471)
Net position - Beginning of year	7,109	9,045	(1,936)
Net position - End of year	2,702	7,109	(4,407)

Contacting the District's Financial Management

This financial report provides the District's patients, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and shows the District's accountability for the money it receives. For questions about this report or for additional financial information, contact the Administration office at Lake Health District, 700 South J Street, Lakeview, OR 97630 or call 541.947.2114.

Lake Health District d/b/a Lake District Hospital

Statements of Net Position

<i>June 30,</i>	2023	2022
Current assets:		
Cash and cash equivalents - Unrestricted	\$ 3,542,414	\$ 5,795,936
Receivables:		
Patient accounts - Net	8,671,411	9,076,784
Taxes receivable	134,276	178,715
Other accounts receivable	583,443	535,506
Estimated third-party payor settlements	400,374	386,359
Inventory	496,725	489,502
Prepaid expenses	294,281	154,830
Total current assets	14,122,924	16,617,632
Noncurrent assets:		
Cash and cash equivalents - Other noncurrent deposits	594,015	594,354
Cash and cash equivalents - Restricted	1,154,144	1,526,486
Capital assets - Nondepreciable	245,026	204,095
Capital assets - Net of accumulated depreciation	29,952,319	32,592,644
Total noncurrent assets	31,945,504	34,917,579
TOTAL ASSETS	\$ 46,068,428	\$ 51,535,211

Lake Health District d/b/a Lake District Hospital

Statements of Net Position (Continued)

<i>June 30,</i>	2023	2022
Current liabilities:		
Accounts payable	\$ 2,370,863	\$ 2,258,550
Accrued salary, payroll taxes, and benefits	2,014,502	2,837,047
Accrued interest	181,326	116,810
Current portion of long-term obligations	2,228,334	2,016,127
Refundable advance	-	1,780,464
Unearned revenue	3,860,096	555,082
Total current liabilities	10,655,121	9,564,080
Noncurrent liabilities:		
Long-term debt, less current portion	28,070,841	29,582,778
Lease obligations, less current portion	327,989	200,669
Subscription-based liabilities, less current portion	4,293,627	5,078,053
Total noncurrent liabilities	32,692,457	34,861,500
Total liabilities	43,347,578	44,425,580
Deferred inflows of resources - Leases	19,714	-
Net position:		
Restricted expendable - For debt service	488,138	909,373
Restricted nonexpendable - Endowments	666,006	617,113
Unrestricted	1,546,992	5,583,145
Total net position	2,701,136	7,109,631
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 46,068,428	\$ 51,535,211

Lake Health District d/b/a Lake District Hospital

Statements of Net Position - Discretely Presented Component Unit - Goose Lake Medical Services

<i>June 30,</i>	2023	2022
Current assets:		
Cash and cash equivalents	\$ 208,768	\$ 261,283
Patient accounts - Net	1,466,064	1,171,927
Inventory	475,330	443,505
Total current assets	2,150,162	1,876,715
TOTAL ASSETS	\$ 2,150,162	\$ 1,876,715
Liabilities and net position:		
Net position - Unrestricted	\$ 2,150,162	\$ 1,876,715
TOTAL LIABILITIES AND NET POSITION	\$ 2,150,162	\$ 1,876,715

Lake Health District d/b/a Lake District Hospital

Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended June 30,</i>	2023	2022
Revenue:		
Net patient service revenue	\$ 37,404,004	\$ 35,775,202
Other operating revenue	2,005,063	3,101,947
Total operating revenue	39,409,067	38,877,149
Operating expenses:		
Salaries and wages	19,376,249	19,107,263
Employee benefits	5,960,806	6,067,306
Professional fees	8,279,111	8,485,946
Supplies	2,908,852	3,449,849
Purchased services	1,121,436	1,015,974
Licenses and taxes	326,067	228,316
Depreciation and amortization	2,932,028	3,843,661
Other operating expense	2,175,608	1,798,729
Total operating expenses	43,080,157	43,997,044
Loss from operations	(3,671,090)	(5,119,895)
Nonoperating revenue (expenses):		
Property taxes	1,749,740	1,800,212
Interest income	124,679	59,466
Interest expense	(1,148,086)	(1,180,994)
Grants and contributions	(393,279)	419,227
Forgiveness of PPP loan	28,635	4,381,899
Lease income	543,282	543,282
Other nonoperating expenses	91	238,188
Total nonoperating revenue	905,062	6,261,280
Revenue in excess (deficit) of expenses after nonoperating revenue	(2,766,028)	1,141,385
Operating transfers to Goose Lake Medical Services	(1,642,467)	(3,077,193)
Decrease in net position	(4,408,495)	(1,935,808)
Net position - Beginning of year	7,109,631	9,045,439
Net position - End of year	\$ 2,701,136	\$ 7,109,631

Lake Health District d/b/a Lake District Hospital

Statements of Revenues, Expenses, and Changes in Net Position - Discretely Presented Component Unit - Goose Lake Medical Services

<i>Years Ended June 30,</i>	2023	2022
Net patient service revenue	\$ 3,264,145	\$ 3,297,101
Operating expenses:		
Salaries and wages	1,057,618	1,246,802
Employee benefits	674,199	769,818
Professional fees	2,064,583	2,805,388
Supplies	463,554	353,268
Purchased services	90,422	88,735
Other	771,361	695,782
Total operating expenses	5,121,737	5,959,793
Loss from operations	(1,857,592)	(2,662,692)
Nonoperating revenue:		
Operating transfers from Lake Health District	1,642,471	3,077,193
Other nonoperating revenue (expense)	488,568	(140,234)
Total nonoperating revenue	2,131,039	2,936,959
Increase in net position	273,447	274,267
Net position - Beginning of year	1,876,715	1,602,448
Net position - End of year	\$ 2,150,162	\$ 1,876,715

Lake Health District d/b/a Lake District Hospital

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 36,014,898	\$ 29,867,414
Receipts from other operating revenue	1,957,126	3,201,251
Payments to employees	(26,159,600)	(24,906,731)
Payments to suppliers, contractors, and others	(14,845,435)	(14,640,214)
Net cash used in operating activities	(3,033,011)	(6,478,280)
Cash flows from noncapital financing activities:		
Property taxes received	1,270,655	1,277,641
Cash received from grants and contributions	2,911,826	815,055
Operating transfers to Goose Lake Medical Service	(1,642,467)	(3,077,193)
Net cash provided by (used in) noncapital financing activities	2,540,014	(984,497)
Cash flows from capital and related financing activities:		
Property taxes received for bond payments	523,524	477,200
Principal payments on long-term obligations	(2,247,369)	(2,027,253)
Interest paid on long-term obligations	(1,083,570)	(1,191,156)
Proceeds from sale of assets	330,889	-
Purchase of capital assets	(324,641)	(820,273)
Net cash used in capital and related financing activities	(2,801,167)	(3,561,482)
Cash flows from investing activities:		
Interest received	124,679	59,466
Cash received from lease income	543,282	543,282
Net cash provided by investing activities	667,961	602,748
Net decrease in cash and cash equivalents	(2,626,203)	(10,421,511)
Cash and cash equivalents - Beginning of year	7,916,776	18,338,287
Cash and cash equivalents - End of year	\$ 5,290,573	\$ 7,916,776

Lake Health District d/b/a Lake District Hospital

Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2023	2022
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (3,671,090)	\$ (5,119,895)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	2,932,028	3,843,661
Provision for bad debts and other adjustments	1,287,731	2,438,731
Changes in assets and liabilities:		
Receivables:		
Patient accounts - Net	(882,358)	(2,693,013)
Other accounts receivable	(47,937)	99,304
Estimated third-party settlements	(14,015)	(1,182,556)
Inventory	(7,223)	(67,190)
Prepaid expenses	(139,451)	(7,929)
Accounts payable	112,313	413,720
Accrued salaries, payroll taxes, and benefits	(822,545)	267,837
Refundable advance	(1,780,464)	(4,470,950)
Total adjustments	638,079	(1,358,385)
Net cash used in operating activities	\$ (3,033,011)	\$ (6,478,280)
Supplemental noncash and noncapital financing activities:		
Partial discharge of PPP loan	\$ 28,635	\$ 4,381,899

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Lake Health District d/b/a Lake District Hospital (the "District") is a municipal corporation that owns and operates a 24-bed acute care hospital and a home health and hospice service in Lakeview, Oregon. The District provides healthcare services to patients in the south central Oregon market. The services provided include an acute care-hospital, emergency room, home health and hospice, and the related ancillary procedures (lab, x-ray, etc.) associated with those services.

The District operates under the laws of the state of Oregon for municipal corporations.

Discretely Presented Component Unit

Goose Lake Medical Services (GLMS) is a legally separate, tax-exempt corporation. GLMS provides healthcare services to patients in the southern Oregon and northern California market. The District and GLMS have shared board members and officers. These services and supplies are charged to GLMS, and any remaining balances are included in other receivables at June 30. GLMS is reported as a discretely presented component unit in the accompanying financial statements to emphasize that it is legally separate from the District. Separate financial statements for the component unit are not available.

Blended Component Unit

GLMS is the sole member of Lakeview Gardens, LLC (LVG), which is presented as a blended component unit of GLMS. The license for long-term care was transferred from the District on December 1, 2014, to LVG. LVG assumed the license and entered into a lease of the skilled nursing facility building, as well as staff from the District effective December 1, 2014.

Method of Accounting

The District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Budgetary Information

Oregon Revised Statutes (ORS) 440.403 establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. Budgetary comparisons for enterprise funds are not required by GAAP. Accordingly, such comparisons of approved budgeted amounts with actual results of operations for individual funds prepared on a basis other than GAAP are set forth as supplementary information. Expenditure levels of control are personnel services, materials and services, capital outlay, debt services, and contingencies. After a public hearing on the budget, it is adopted, and appropriations are made by June 30, which is prior to the start of the fiscal year.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

Expenditures legally cannot exceed appropriations and lapse at fiscal year-end. Action of the Board of Directors may transfer appropriations between control or amend the budget with notice. The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting a supplemental budget. A supplemental budget requires hearings before the public, publication in newspapers, and approval by the Board. Expenditure appropriations may not legally be over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted and for debt service on new debt issued during the budgeted year. Management may transfer budget amounts between individual line items within the function group, but cannot make changes to the function groups themselves, which is the legal level of control.

Financial position, results of operations, and changes in net position are reported on the basis of GAAP. The budgetary basis of accounting differs from GAAP. The budgetary-basis statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results and the budget.

The budgetary basis of accounting is substantially the same as GAAP, with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, compensated absences are expensed when paid rather than when incurred, and principal payment on and proceeds from long-term debt are recorded in revenue when received and in expenditures when paid.

Use of Estimates

The preparation of 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. Estimates also affect 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 which require significant judgments and include the valuation of accounts receivable, including contractual allowances, allowance for doubtful accounts, and the estimated third-party payor settlements, and the revenue recognized as a result of provider relief fund payments.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments with original maturity dates of three months or less.

Lake Health District d/b/a Lake District 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 payor 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. The District charges interest on past due accounts on a monthly basis.

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 will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable.

In evaluating the collectibility of patient receivables, 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 that 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, 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.

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. 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. Unearned revenue consists of receipts of federal awards for which the earnings process was not yet completed at June 30, 2023 and 2022 because the eligibility requirements were not yet met.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied by the District and collected by the Lake County Treasurer for operations. These funds are used to support general operations. Property taxes are levied by the County on the District's behalf once a year and intended to finance the District's activities of the same calendar year. Taxes are billed and collected by Lake County, and remittance to the District is made at periodic intervals. Any property tax balances due to the County after May 15 are considered delinquent. Property tax revenues are recognized when levied. No allowance for doubtful taxes receivable is considered necessary.

For the fiscal year ended June 30, 2023, the District levied its property taxes at the rate of \$2.0311 per \$1,000 of assessed property value. The funds used to support operations and debt service were \$1,749,740 and \$1,800,212 for the years ended June 30, 2023 and 2022, respectively. The District received approximately 4% of its financial support from property taxes for the years ended June 30, 2023 and 2022.

Inventory

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

Capital Assets

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 acquisition value at the time of their donation. Generally, assets with a useful life of less than one year are expensed in the year of purchase.

When capitalized assets are disposed, the related costs and accumulated depreciation and amortization are removed from the account, and the resulting gain or loss is classified in nonoperating revenue and expenses.

All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation and 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 |

Equipment under lease obligations is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accrued Vacation

The District's employees accumulate paid time-off (PTO) days comprised of vacation, holidays, personal days, and sick days at varying rates depending on years of service. New employees are not eligible to take PTO until after their first 500 hours of employment. Should a newly hired employee terminate employment before his or her 500 hours are completed, the employee will not be eligible to receive payment for any accumulated PTO. Employees may carry over a maximum of two years of accumulated PTO from one year to the next.

Employees with PTO in excess of the combined two-year accrual may receive cash payment for excess hours of PTO with the approval of management. Upon termination, employees shall be paid all accrued, but unused vacation hours, provided they have given the notice required by personnel policies, and the employee has not been terminated for cause.

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 net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the facility or noncapital net position that has been restricted by donors to be maintained in perpetuity.

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.

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, which is 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 healthcare services, excluding financing costs.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated uncollectible revenue is reported as a provision for bad debts in the financial statements. 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. Some healthcare is provided with the knowledge it will not be reimbursed. This is reported in charity care.

For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a 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 (discounted services) policy without charge or at amounts less than established rates. The District maintains records to identify and monitor the level of charity care (discounted services) 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 in the restricted fund and transferred to the unrestricted fund 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 other operating revenue.

Tax Status

GLMS is a tax-exempt corporation and is exempt from federal income taxes on related income pursuant to Section 509(a)(2) of the Internal Revenue Code (IRC). It is also exempt from state income taxes on related income. Management believes GLMS has taken no uncertain tax positions and its tax returns for the years ended June 30, 2023, 2022, and 2021 are subject to examination.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 classifications. Such reclassifications had no effect on the amounts of previously-reported net position.

New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement number 87 - *Leases*. The statement enhances the relevance and consistency of reporting for the District's leasing activity by establishing requirements for lease accounting based on the principle that leases are financings of underlying right-of-use assets. A lessee is required to recognize a lease liability and intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The District adopted the guidance contained in this statement during the year ended June 30, 2022.

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement (1) defines an SBITA; (2) establishes that an SBITA results in subscription-based asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of an SBITA; and (4) requires note disclosures regarding an SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 - *Leases*, as amended. The adoption of this guidance took place during the fiscal year ended June 30, 2023 and applied retrospectively to the year ended June 30, 2022, resulting in a restatement, including increases to assets at June 30, 2022 of \$6,578,124, liabilities at June 30, 2022 \$5,839,324, and expenses of \$83,465, as described in Note 2.

Deferred Inflows of Resources - Leases

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, that qualifies for reporting in this category. The District reports deferred inflows of resources related to excess proceeds from sales-leaseback transactions.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 2: Restatements

The accompanying financial statements as of and for the year ended June 30, 2022 have been restated to correct the following error: long-term debt was understated and capital asset net book value was understated.

The District adopted the provisions of GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements* as described in Note. A restatement was necessary based on this change in accounting principle.

The following table summarizes the restatement of previously reported amounts presented in the accompanying financial statements as of and for the year ended June 30, 2022:

	As Previously Reported	Correction of an Error	Change in Accounting Principle	As Restated
Statement of net position:				
Capital assets	\$ 26,516,643	\$ 524,237	\$ 5,755,859	\$ 32,796,739
Total liabilities	37,945,828	640,428	5,839,324	44,425,580
Net position	7,309,287	(116,191)	(83,465)	7,109,631
Statement of revenues, expenses, and changes in net position:				
Operating expenses	44,625,056	(524,237)	(103,775)	43,997,044
Nonoperating revenue (expenses)	7,088,948	(640,428)	(187,240)	6,261,280

Note 3: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. Depository accounts at these institutions are insured by the FDIC up to \$250,000 for time deposits and an additional \$250,000 for demand deposits. At June 30, 2023, the District exceeded the insured limits. However, this excess is collateralized with securities held by the pledging financial institution's trust department or agent not in the depositor's name.

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:

- (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.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 3: Cash and Cash Equivalents (Continued)

The District is a participant in the State of Oregon Local Government Investment Pool (LGIP), which is included in the Oregon Short-Term Fund. The Short-Term Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. Investments in the Short-Term Fund are governed by ORS 294.135, the Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. The LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the underlying investments. Participants in the LGIP have the right to withdraw their funds in total with one day's notice.

The investment in the LGIP is not subject to the fair value hierarchy disclosures.

The District considers all investments to be cash and cash equivalents. All final decisions regarding the purchase and sale of investment securities remain with the District Board. The District maintains an investment policy in compliance with ORS 293, which is designed to preserve principal 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. The LGIP is not rated by any national rating service.

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.

Custodial credit risk - The risk that, in the 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 Oregon Public Funds Collateralization Program (PFCP). The District's deposits are held by a depository qualified under PFCP for the years ended June 30, 2023 and 2022.

The District does not have a policy for credit risk, concentration of credit risk, interest rate risk, or custodial credit risk.

Cash and cash equivalents consisted of the following:

<i>June 30,</i>	2023	2022
Demand deposits	\$ 5,285,083	\$ 7,911,286
Cash on hand	5,490	5,490
Total cash and cash equivalents	\$ 5,290,573	\$ 7,916,776

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 3: Cash and Cash Equivalents (Continued)

Cash and cash equivalents consisted of the following for GLMS, a discretely presented component unit of the District:

<i>June 30,</i>	2023	2022
Demand deposits	\$ 208,768	\$ 261,283

The composition of cash and cash equivalents consisted of the following:

<i>June 30,</i>	2023	2022
Current:		
Unrestricted	\$ 3,542,414	\$ 5,795,936
Noncurrent:		
Restricted for debt service	488,138	909,373
Restricted for endowment provisions	666,006	617,113
Unrestricted board designated	594,015	594,354
Totals	\$ 5,290,573	\$ 7,916,776

Restricted for Debt Service

Restricted cash consists of County deposits held in trust for debt service payments.

Restricted for Endowment Provisions

Funds restricted by donor and held in perpetuity. Unless stated otherwise by the donor, the assets in the endowment fund are considered restricted assets and are reported in restricted net position until appropriated for expenditure by the governing board. Oregon state law does not restrict the ability to spend net appreciation of endowment funds. Net appreciation on investments of donor-restricted endowments consisted of \$180,356 and \$131,463 at June 30, 2023 and 2022, respectively.

Board Designated Held for Capital Projects and Equipment

Capital project funds are funded with bond proceeds and consist of assets restricted to fund future construction of capital assets.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 4: Reimbursement Arrangement 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 \$34,431,333 and \$31,602,418 for the years ended June 30, 2023 and 2022, 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 for based on a cost-reimbursement methodology. The District's clinics are certified as Rural Health Clinics (RHC). For RHCs, 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 settlements 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 settled or otherwise reviewed and settled on by the Medicare intermediary.

Medicaid

For CAHs, 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.

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.

Accounting for Contractual Arrangements

The District is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the District's related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The cost reports for the District have been final settled by Medicare and Medicaid through June 30, 2019 and 2017, respectively.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 4: Reimbursement Arrangement With Third-Party Payors (Continued)

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant 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.

Centers for Medicare & Medicaid Services (CMS) uses recovery audit contractors (RAC) to search for potentially inaccurate Medicare payments that might have been made to healthcare 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 5: Property Taxes Receivable

The schedule of property tax transactions and outstanding balances follows:

Fiscal Year	Receivable July 1, 2022	2022-2023 Net Levy	Discounts	Adjustments	Interest	Cash Collections	Receivable June 30, 2023
2022-2023	\$ -	\$ 1,753,642	\$ 47,126	\$(3,396,921)	\$ 115	\$ 1,665,020	\$ 68,982
2021-2022	117,034	-	-	(118,587)	379	34,977	33,803
2020-2021	32,856	-	-	(25,193)	338	10,674	18,675
2019-2020	17,073	-	-	(16,554)	366	6,515	7,400
2018-2019	6,747	-	-	(10,129)	223	4,258	1,099
2017-2018	1,500	-	-	(578)	5	67	994
Prior	3,505	-	-	(189)	-	7	3,323
Totals	\$ 178,715	\$ 1,753,642	\$ 47,126	\$(3,568,151)	\$ 1,426	\$ 1,721,518	\$ 134,276

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 5: Property Taxes Receivable (Continued)

The schedule of property tax transactions and outstanding balances at June 30, 2022, follows:

Fiscal Year	Receivable July 1, 2021	2021-2022 Net Levy	Discounts	Adjustments	Interest	Cash Collections	Receivable June 30, 2022
2021-2022	\$ -	\$ 1,800,212	\$ 50,705	\$(3,570,195)	\$ 191	\$ 1,836,121	\$ 117,034
2020-2021	65,614	-	-	(63,060)	322	29,980	32,856
2019-2020	35,073	-	-	(34,620)	414	16,206	17,073
2018-2019	19,627	-	-	(24,854)	456	11,518	6,747
2017-2018	7,513	-	-	(11,305)	241	5,051	1,500
2016-2017	2,099	-	-	(2,098)	42	650	693
Prior	3,418	-	-	(1,436)	64	766	2,812
Totals	\$ 133,344	\$ 1,800,212	\$ 50,705	\$(3,707,568)	\$ 1,730	\$ 1,900,292	\$ 178,715

Note 6: Other Receivables

Other receivables consisted of the following:

<i>June 30,</i>	2023	2022
Other receivables:		
Other accounts receivable	\$ 135,633	\$ 119,993
Education/recruiting loans to providers	447,810	415,513
Totals	\$ 583,443	\$ 535,506

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 7: Patient Accounts Receivable

Patient accounts receivable - Net consisted of the following:

<i>June 30,</i>	2023	2022
Patient accounts receivable:		
Medicare	\$ -	\$ 4,865,090
Medicaid	4,172,286	3,034,985
Commercial and other	4,547,270	3,508,082
Self-pay	2,821,805	538,577
Total patient accounts receivable	11,541,361	11,946,734
Less:		
Contractual adjustments	2,682,536	2,682,536
Allowance for doubtful accounts	187,414	187,414
Patient accounts receivable - Net	\$ 8,671,411	\$ 9,076,784

Patient accounts receivable - Net consisted of the following for GLMS, a discretely presented component unit of the District:

<i>June 30,</i>	2023	2022
Patient accounts receivable:		
Medicare	\$ 229,174	\$ 329,906
Medicaid	154,509	586,946
Commercial and other	1,048,330	94,025
Self-pay	49,051	176,050
Total patient accounts receivable	1,481,064	1,186,927
Allowance for doubtful accounts	15,000	15,000
Patient accounts receivable - Net	\$ 1,466,064	\$ 1,171,927

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 8: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2022	Additions	Transfer	Retirements	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 183,735	\$ -	\$ -	\$ -	\$ 183,735
Construction in progress	20,360	40,931	-	-	61,291
Total nondepreciable capital assets	204,095	40,931	-	-	245,026
Depreciable assets:					
Land improvements	948,088	-	-	-	948,088
Buildings and improvements	46,067,271	-	-	-	46,067,271
Software	1,760,994	-	-	-	1,760,994
Equipment	6,464,186	246,020	-	(331,865)	6,378,341
Total depreciable capital assets	55,240,539	246,020	-	(331,865)	55,154,694
Total capital assets before depreciation	55,444,634	286,951	-	(331,865)	55,399,720
Total accumulated depreciation	28,887,128	1,879,488	-	(58,380)	30,708,236
Total depreciable assets - Net	26,557,506	(1,592,537)	-	(273,485)	24,691,484
Right of use assets					
Equipment	1,216,905	319,168	-	-	1,536,073
Accumulated amortization right of use assets	733,531	230,275	-	-	963,806
Total right of use assets	483,374	88,893	-	-	572,267
Subscription-based assets	6,578,124	-	-	-	6,578,124
Accumulated amortization: SBA	822,265	822,265	-	-	1,644,530
Total subscription-base assets	5,755,859	(822,265)	-	-	4,933,594
Capital assets - Net	\$ 32,796,739	\$ (2,325,909)	\$ -	\$ (273,485)	\$ 30,197,345

At June 30, 2023, construction in progress consisted of costs associated with the pharmacy remodel, which is expected to be finished during June 2024 at an estimated additional cost of \$70,600.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 8: Capital Assets (Continued)

	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable assets:					
Land	\$ 183,735	\$ -	\$ -	\$ -	183,735
Construction in progress	1,129,077	20,963	(142,762)	(986,918)	20,360
Total nondepreciable capital assets	1,312,812	20,963	(142,762)	(986,918)	204,095
Depreciable assets:					
Land improvements	948,088	-	-	-	948,088
Buildings and improvements	45,699,617	224,892	142,762	-	46,067,271
Software	1,760,994	-	-	-	1,760,994
Equipment	5,889,768	574,418	-	-	6,464,186
Total depreciable capital assets	54,298,467	799,310	142,762	-	55,240,539
Total capital assets before depreciation	55,611,279	820,273	-	(986,918)	55,444,634
Total accumulated depreciation	27,088,165	1,798,963	-	-	28,887,128
Total depreciable assets - Net	28,523,114	(978,690)	-	(986,918)	26,557,506
Right of use assets:					
Equipment	1,216,905	-	-	-	1,216,905
Accumulated amortization right of use assets	498,019	235,512	-	-	733,531
Total right of use assets	718,886	(235,512)	-	-	483,374
Subscription-based assets	-	6,578,124	-	-	6,578,124
Accumulated amortization: SBA	-	822,265	-	-	822,265
Total subscription-base assets	-	5,755,859	-	-	5,755,859
Capital assets - Net	\$ 29,242,000	\$ 4,541,657	\$ -	(986,918)	\$ 32,796,739

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 9: Long-Term Obligations

Long-term obligations consisted of the following:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Direct placements:					
USDA General Obligation Bonds	\$ 6,233,506	\$ -	\$ (214,265)	\$ 6,019,241	\$ 222,967
Washington Federal 2015 Bonds	11,266,615	-	(431,144)	10,835,471	344,932
Washington Federal 2016 Bonds	12,561,230	-	(334,417)	12,226,813	442,785
Direct borrowings:					
Paycheck Protection Program loan	663,009	-	(387,913)	275,096	275,096
Total long-term debt	\$ 30,724,360	\$ -	\$ (1,367,739)	\$ 29,356,621	\$ 1,285,780

Long-term debt obligations consisted of the following

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Direct placements:					
USDA General Obligation Bonds	\$ 6,433,253	\$ -	\$ (199,747)	\$ 6,233,506	\$ 214,908
Washington Federal 2015 Bonds	11,591,993	-	(325,378)	11,266,615	334,417
Washington Federal 2016 Bonds	12,977,935	-	(416,705)	12,561,230	430,101
Direct borrowings:					
Paycheck Protection Program loan	5,142,110	-	(4,479,101)	663,009	162,156
Total long-term debt	\$ 36,145,291	\$ -	\$ (5,420,931)	\$ 30,724,360	\$ 1,141,582

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 9: Long-Term Obligations (Continued)

The terms and due dates of the District's long-term obligations consisted of the following:

Direct placements:

USDA General Obligation Bonds - Note dated March 13, 2012, in the amounts of \$8,000,000 and \$550,000 for the purpose of providing permanent financing for the funds initially borrowed through the US Bank Bond Anticipation Note (BAN). The bonds have a 30-year term and are due in annual installments of \$448,720, including principal and interest at 3.75%. The bonds are collateralized by the full faith and credit of the District and have a reserve account requirement of \$44,872 and \$2,677 per year at June 30, 2023 and 2022, respectively, until \$448,720 and \$26,763, respectively, has been accumulated. The District had accumulated \$488,138 and \$909,373 in the reserve account as of June 30, 2023 and 2022, respectively.

Washington Federal 2015 Bonds - Note dated October 22, 2015, in the amount of \$13,250,000, due in monthly installments of \$56,580, including variable interest at 3.10% through November 2025, which is based on the repayment schedule. Series A Bond issued totaling \$13,250,000 to pay off Washington Federal 2012 Loan A, Washington Federal 2012 Loan B, State of Oregon ED Project Loan, and USDA Revenue Bonds. The note also issued Revenue Bonds 2015B, Series B Bonds totaling \$5,500,000, but had not drawn on these funds as of the issuance date. The bonds shall not be unlimited general tax obligations of the District, but shall be payable solely from the revenues, including limited tax revenues, the District pledges to payment of the bonds.

Washington Federal 2016 Bonds - The District issued Draw Down Revenue Bonds Series 2016, and draws at year-end totaled \$12,226,813 to finance construction for the long-term care and assisted living facility, clinic facility, and ambulance facility. The bonds have a maturity date of November 1, 2043, with interest payments beginning on December 1, 2016, and first principal and interest payments beginning on December 1, 2018. Interest is paid on the drawn down balance at a rate of 2.91%. The bonds shall not be unlimited general tax obligations of the District but shall be payable solely from the revenues, including limited tax revenues, the District pledges for payment of the bonds.

Direct borrowings:

Paycheck Protection Program Loan - In March 2020, the Coronavirus Aid, Relief, and Economic Security (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 Hospital applied and was approved for a loan of \$5,142,110 of which, \$4,364,558 was forgiven in January 2022. The portion of the loan that is not forgiven has a maturity date of December 17, 2023, with interest at 1%.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 9: Long-Term Obligations (Continued)

Scheduled principal and interest payments on bonds and notes payable are as follows:

Years Ending June 30,	Direct placements		Direct borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 1,010,684	\$ 908,601	\$ 275,096	\$ 1,094
2025	1,041,775	874,735	-	-
2026	1,075,046	841,464	-	-
2027	1,109,390	807,120	-	-
2028	1,144,840	771,669	-	-
2029-2033	6,297,314	3,285,233	-	-
2034-2038	7,371,903	2,198,714	-	-
2039-2043	8,182,055	950,725	-	-
2044-2048	1,848,518	60,213	-	-
Totals	\$ 29,081,525	\$ 10,698,474	\$ 275,096	\$ 1,094

Note 10: Lease Obligations

Changes in leases payable consisted of the following for the years ended June 30:

	Balance July 1, 2022			Balance June 30, 2023	Amounts Due Within One Year
	Balance July 1, 2022	Additions	Reductions		
GE DePuySynthes	\$ 20,469	\$ -	\$ (20,469)	\$ -	\$ -
First American	161,134	-	(53,898)	107,236	54,597
First American ST 2	-	319,169	(29,136)	290,033	60,039
RICOH	132,340	-	(43,492)	88,848	43,492
Total capital leases obligations	\$ 313,943	\$ 319,169	\$ (146,995)	\$ 486,117	\$ 158,128

	Balance July 1, 2021			Balance June 30, 2022	Amounts Due Within One Year
	Balance July 1, 2021	Additions	Reductions		
CT Lease	\$ 47,099	\$ -	\$ (47,099)	\$ -	\$ -
GE DePuySynthes	99,670	-	(79,201)	20,469	20,469
First American	214,686	-	(53,552)	161,134	53,898
RICOH	169,725	-	(37,385)	132,340	38,907
Total capital leases obligation	\$ 361,455	\$ -	\$ (217,237)	\$ 313,943	\$ 113,274

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 10: Lease Obligations (Continued)

The District has also entered into rental agreements that do not meet the criteria for capitalization, with related rentals charged to operations as incurred. Rental expense for these agreements amounted to \$861,966 and \$733,066 for the years ended June 30, 2023 and 2022, respectively.

The District is also a lessor for agreements that do not meet the criteria for recognizing a lease receivable or related deferred inflow of resources related to leases. Lease revenue for these agreements amounted to \$543,282 and \$543,282 for the years ended June 30, 2023 and 2022, respectively.

Future minimum lease payments as of June 30, 2023, are:

<i>Years Ending June 30,</i>	Principal	Interest	Total
2024	\$ 158,128	\$ 3,561	\$ 161,689
2025	157,760	5,482	163,242
2026	75,813	5,806	81,619
2027	67,654	3,093	70,747
2028	26,762	523	27,285
Totals	\$ 486,117	\$ 18,465	\$ 504,582

Lease Agreements

Siemens CT Lease - Lease due January 2022 in monthly installments of \$6,808, including interest of 0.28%. All capitalized leases payable are collateralized by the equipment under lease.

GE DePuySynthes Lease - Lease due October 2022 in monthly installments of \$6,790, including interest of 3.60%. All capitalized leases payable are collateralized by the equipment under lease.

First American Lease - Lease due May 2025 in quarterly installments of \$13,704, including interest of 0.64%. All capitalized leases payable are collateralized by the equipment under lease.

Ricoh Office Lease - Lease due September 2025 in monthly installments of \$3,624, including interest of 4.0%. All capitalized leases payable are collateralized by the equipment under lease.

First American Lease ST 2 - Lease due May 2028 in quarterly installments of \$17,686, including interest of 4.0%. All capitalized leases payable are collateralized by the equipment under lease.

Sale-Leaseback - In October 2022 the District sold equipment to First American with a net book value of \$308,142 for cash proceeds in the amount of \$330,889. The resulting deferred inflow of resources in the amount of \$22,747 will be amortized over the life of the lease. At June 30, 2023 \$19,714 was included in deferred inflows of resources in the accompanying statements of net position.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 11: Subscription-Based Information Technology Arrangements

Changes in subscription-based information technology arrangements consisted of the following:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due Within one Year
Cerner	\$ 5,839,324	\$ -	\$ (761,271)	\$ 5,078,053	\$ 784,426

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due Within one Year
Cerner	\$ 6,578,124	\$ -	\$ (738,800)	\$ 5,839,324	\$ 761,271

The terms of the District's subscription-based technology arrangement are as follows:

- Cerner - Subscription-based arrangement in the original principal amount of \$6,578,124 (from implementation date), due in monthly installments of \$77,170, including interest imputed at 3.0%, through June 2029, collateralized by the subscription-based technology.

Future minimum subscription-based technology arrangement payment consist of the following for the years ending June 30:

<i>Years Ending June 30,</i>	Principal	Interest
2024	\$ 784,426	\$ 141,614
2025	808,285	117,755
2026	832,870	93,170
2027	858,202	67,838
2028	884,305	41,735
2029	909,965	14,837
Total	\$ 5,078,053	\$ 476,949

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 12: Net Patient Service Revenue

Net patient service revenue consisted of the following:

<i>Years Ended June 30,</i>	2023	2022
Gross patient service revenue:		
Inpatient services	\$ 9,712,857	\$ 10,493,098
Outpatient services	42,178,415	38,811,573
Total gross patient service revenue	51,891,272	49,304,671
Less:		
Contractual adjustments	13,199,537	11,090,738
Provision for bad debts and other adjustments	1,287,731	2,438,731
Net patient service revenue	\$ 37,404,004	\$ 35,775,202

The following table reflects the percentage of gross patient service revenue by payor source:

<i>Years Ended June 30,</i>	2023	2022
Medicare	40 %	39 %
Medicaid	22 %	21 %
Other third-party payors	33 %	35 %
Self-pay	5 %	5 %
Totals	100 %	100 %

Discretely-presented component unit net patient service revenue consisted of the following:

<i>Years Ended June 30,</i>	2023	2022
Gross patient service revenue - Outpatient services	\$ 3,044,814	\$ 3,451,635
Less - Contractual adjustments	(219,331)	154,534
Net patient service revenue	\$ 3,264,145	\$ 3,297,101

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 13: Retirement Plans

Defined Contribution Retirement Plan

The District established a defined contribution retirement plan, Lake Health District Pension Plan and Trust Agreement, on July 1, 2000, which provides retirement benefits to employees of the District. The Plan is a profit sharing plan established under Section 401(a) of the IRC. The plan covers full-time employees and part-time employees who have worked at least one year.

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 an insurance company. Some employees are eligible to participate only if they agree to contribute to the deferred compensation plan. Each pay period, the District contributes 6% of employee compensation. The contributions are vested at 20% after two years of service, with graduated increases until vesting reaches 100% after six years of service. Unvested portions of District contributions and interest forfeited by employees who leave employment before six years of service are used to reduce the District's current-period contribution requirement. The District made the required contributions of \$544,378 and \$517,528 for the years ended June 30, 2023 and 2022, respectively. The Plan had \$19,321 and \$51,421 in forfeitures during the years ended June 30, 2023 and 2022, respectively. No employee contributions were made to this plan.

Note 14: Risks and Uncertainties

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.

The District maintains primary and umbrella general and professional liability insurance coverage "claims made" types of policies. Current coverage is for \$1,000,000 per claim with a \$5,000,000 annual aggregate limit, plus \$1,000,000 annual excess coverage per claim with a \$1,000,000 annual aggregate. There are no significant deductibles or coinsurance clauses.

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, 2023, that 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.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 15: 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 healthcare provided to the patients.

The mix of receivables from patients and third-party payors consisted of the following:

<i>June 30,</i>	2023	2022
Medicare	35 %	21 %
Medicaid	24 %	25 %
Other third-party payors	37 %	33 %
Self-pay	4 %	21 %
Totals	100 %	100 %

Note 16: Medicare Advance Payment

As a result of the COVID-19 pandemic, the Centers for Medicare & Medicaid Services offered an accelerated and advance payment program, which gave healthcare providers the opportunity to receive an advance on future Medicare payments. The District received a Medicare Advance Payment of \$6,251,414 in April 2020. Repayment of the Medicare Advance Payment began 12 months after receipt of the advance, with a portion of Medicare payments being withheld until the advance is paid-in-full. Medicare will withhold 25% of net Medicare payments during the 12th through 23rd months after the original advance and 50% of net Medicare payments during the 24th through 29th month after the original advance. Interest will be charged on any remaining balance after the 29th month at an annual rate of 4.0%. The District reported a net liability totaling \$0 and \$1,780,464 at June 30, 2023 and 2022, respectively.

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 17: Condensed Financial Information for Component Units

The following is condensed financial information for Lakeview Gardens, a blended component unit of GLMS:

Condensed statements of net position - Blended component unit - Lakeview Gardens

<i>June 30,</i>	2023	2022
Assets:		
Current assets	\$ 1,538,432	\$ 1,245,351
Total assets	\$ 1,538,432	\$ 1,245,351
Net position - Unrestricted	\$ 1,538,432	\$ 1,245,351
Total liabilities and net position	\$ 1,538,432	\$ 1,245,351

Condensed statements of revenues, expenses, and changes in net position - Blended component unit - Lakeview Gardens

<i>Years Ended June 30,</i>	2023	2022
Operating revenue	\$ 2,758,580	\$ 2,756,528
Operating expenses	4,532,345	5,509,820
Loss from operations	(1,773,765)	(2,753,292)
Nonoperating revenue	2,066,846	3,314,940
Increase in net position	293,081	561,648
Net position - Beginning of year	1,245,351	683,703
Net position - End of year	\$ 1,538,432	\$ 1,245,351

Lake Health District d/b/a Lake District Hospital

Notes to Financial Statements

Note 17: Condensed Financial Information for Component Units (Continued)

Condensed statements of cash flows - Blended component unit - Lakeview Gardens

<i>Years Ended June 30,</i>	2023	2022
Cash flows from operating activities	\$ 103,839	\$ (243,600)
Change in cash and cash equivalents	103,839	(243,600)
Cash and cash equivalents - Beginning of the year	40,170	283,770
Cash and cash equivalents - End of year	\$ 144,009	\$ 40,170

Note 18: Related-Party Transactions

District transfers to GLMS consisted of the following:

<i>Years Ended June 30,</i>	2023	2022
Operating transfers to Goose Lake Medical Services	\$ 1,642,376	\$ 3,077,193

Note 19: Subsequent Event

Lakeview Gardens LLC closed as of August 18, 2023.

Supplementary Information

Lake Health District d/b/a Lake District Hospital

Combining Statements of Net Position of GLMS and LVG

<i>June 30, 2023</i>	GLMS	LVG	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 64,759	\$ 144,009	\$ -	\$ 208,768
Patient accounts - Net	71,641	1,394,423	-	1,466,064
Inventory	475,330	-	-	475,330
TOTAL ASSETS	\$ 611,730	\$ 1,538,432	\$ -	\$ 2,150,162
Net position - Unrestricted	\$ 611,730	\$ 1,538,432	\$ -	\$ 2,150,162
TOTAL LIABILITIES AND NET POSITION	\$ 611,730	\$ 1,538,432	\$ -	\$ 2,150,162

Lake Health District d/b/a Lake District Hospital

Combining Statements of Net Position of GLMS and LVG (Continued)

<i>June 30, 2022</i>	GLMS	LVG	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 69,009	\$ 192,274	\$ -	\$ 261,283
Patient accounts - Net	118,850	1,053,077	-	1,171,927
Inventories	443,505	-	-	443,505
TOTAL ASSETS	\$ 631,364	\$ 1,245,351	\$ -	\$ 1,876,715
Net position - Unrestricted	\$ 631,364	\$ 1,245,351	\$ -	\$ 1,876,715
TOTAL LIABILITIES AND NET POSITION	\$ 631,364	\$ 1,245,351	\$ -	\$ 1,876,715

Lake Health District d/b/a Lake District Hospital

Combining Statements of Revenues, Expenses, and Changes in Net Position of GLMS and LVG

<i>Year Ended June 30, 2023</i>	GLMS	LVG	Eliminations	Total
Revenue:				
Net patient service revenue	\$ 505,565	\$ 2,758,580	\$ -	\$ 3,264,145
Operating expenses:				
Salaries and wages	214,521	843,097	-	1,057,618
Employee benefits	79,974	594,225	-	674,199
Professional fees	65,995	1,998,588	-	2,064,583
Supplies	192,291	271,263	-	463,554
Purchased services	-	90,422	-	90,422
Other	36,611	734,750	-	771,361
Total operating expenses	589,392	4,532,345	-	5,121,737
Loss from operations	(83,827)	(1,773,765)	-	(1,857,592)
Operating transfers from (to) Lake Health District				
Operating transfers from (to) Lake Health District	64,181	1,578,290	-	1,642,471
Other income (expense)	12	488,556	-	488,568
Total nonoperating revenue	64,193	2,066,846	-	2,131,039
Increase (decrease) in net position	(19,634)	293,081	-	273,447
Net position - Beginning of year	631,364	1,245,351	-	1,876,715
Net position - End of year	\$ 611,730	\$ 1,538,432	\$ -	\$ 2,150,162

Lake Health District d/b/a Lake District Hospital

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

<i>Year Ended June 30, 2022</i>	GLMS	LVG	Eliminations	Total
Revenue:				
Net patient service revenue	\$ 540,573	\$ 2,756,528	\$ -	\$ 3,297,101
Operating expenses:				
Salaries and wages	197,032	1,049,770	-	1,246,802
Employee benefits	67,744	702,074	-	769,818
Professional fees	63,083	2,742,305	-	2,805,388
Supplies	92,184	261,084	-	353,268
Purchased services	2,332	86,403	-	88,735
Other	27,598	668,184	-	695,782
Total operating expenses	449,973	5,509,820	-	5,959,793
Loss from operations	90,600	(2,753,292)	-	(2,662,692)
				-
Operating transfers from Lake Health District	(201,622)	3,278,815	-	3,077,193
Noncapital grants and donations - Net	(176,359)	36,125	-	(140,234)
Increase (decrease) in net position	(287,381)	561,648	-	274,267
Net position - Beginning of year	918,745	683,703	-	1,602,448
Net position - End of year	\$ 631,364	\$ 1,245,351	\$ -	\$ 1,876,715

Lake Health District d/b/a Lake District Hospital

Schedule of Adopted Appropriations and Expenditures - Original, Final Budget, and Actual Year Ended June 30, 2023

	Original Budget	Budget Amendments	Final Budget	Actual	Variance
Revenue:					
Revenue except for property taxes	\$ 44,836,234	\$ -	\$ 44,836,234	\$ 39,683,749	\$ 5,152,485
Property taxes	2,174,887	-	2,174,887	1,749,740	425,147
Total revenue	\$ 47,011,121	\$ -	\$ 47,011,121	\$ 41,433,489	\$ 5,577,632
Expenditures:					
Personnel services	\$ 27,898,838	\$ -	\$ 27,898,838	\$ 25,337,055	\$ 2,561,783
Materials and services	14,789,986	-	14,789,986	15,930,434	(1,140,448)
Capital outlay	1,983,119	-	1,983,119	324,641	1,658,478
Debt service	969,017	-	969,017	2,247,369	(1,278,352)
Total expenditures	\$ 45,640,960	\$ -	\$ 45,640,960	\$ 43,839,499	\$ 1,801,461
Loss from operations - Budgetary				\$ (2,406,010)	
Reconciliation of statutory operating expenditures to GAAP-basis operating expenses:					
Add: Capital outlay				324,641	
Add: Long-term debt and capital leases principal reductions				2,247,369	
Less: Contribution from LHD				1,642,467	
Less: Depreciation and amortization				2,932,028	
Total effects of reconciliation				<u>(2,002,485)</u>	
Change in net position				(4,408,495)	
Net position - Beginning of year				<u>7,109,631</u>	
Net position - End of year				<u><u>\$ 2,701,136</u></u>	

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

Board of Directors
Lake Health District d/b/a Lake District Hospital
Lakeview, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Lake Health District d/b/a Lake District Hospital (the “District”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2023.

Report on 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 the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit 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, and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Purpose of This Report

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



Wipfli LLP
Spokane, Washington

December 27, 2023

By:



Eric Volk, CPA, Oregon Municipal Auditor, Lic#15265

Lake Health District d/b/a Lake District Hospital

Schedule of Findings and Responses

Year Ended June 30, 2023

Finding Number: 2023-001

Type of Finding: Significant deficiency

Description: Financial statement preparation and accompanying note disclosures

Condition: The District relies upon the auditor to compile the financial statements and notes. As part of our professional services for the year ended June 30, 2023, we assisted in drafting the basic financial statements and related notes, including its discretely presented component unit. The District does not have sufficient expertise to prepare its own financial statements and disclosures. This circumstance is not unusual in an organization of your size.

Cause: The District only prepares a set of full disclosure financial statements on an annual basis and does not maintain the expertise to prepare full disclosure financial statements due to cost and other considerations.

Criteria: *Government Auditing Standards* considers the inability to report the financial data reliably in accordance with GAAP in the United States to be an internal control deficiency.

Effect: The completeness of the financial statement disclosures and the accuracy of the overall financial presentation may be negatively impacted, since outside auditors do not have the same comprehensive understanding as internal finance staff.

Management Response: Management agrees with the assessment and has committed to evaluating the costs and benefits associated with preparing the annual financial statements.

Lake Health District d/b/a Lake District Hospital

Schedule of Findings and Responses (Continued)

Year Ended June 30, 2023

Finding Number: 2023-002

Type of Finding: Significant Deficiency

Description: Significant and material audit adjustments

Condition: During the audit, it was required that material and non material adjusting journal entries were required to reconcile the general ledger to supporting documents and convert the District's financial records to the financial statements as reported. The adjusting journal entries were proposed and accepted by management and affected multiple assets, liabilities, revenues and expenses.

Cause: Internal control over year-end reconciliations of the general ledger and financial reporting were not operating as designed.

Criteria: The District is responsible for the internal controls over the period-end financial reporting process, including controls over procedures to recognize transactions in the correct period and properly adjust the general ledger. *Government Auditing Standards* considers the inability to properly reconcile the general ledger in accordance with GAAP to be an internal control deficiency.

Effect: The District's internal controls over financial reporting at the general ledger and financial statement levels were not adequate to ensure a material misstatement would be prevented and/or detected. The District was not always in compliance with GAAP.

Management Response: Management agrees with the assessment and has committed to evaluating the costs and benefits associated with reconciling the general ledger.

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

Board of Directors
Lake Health District d/b/a Lake District Hospital
Lakeview, Oregon

We have audited the accompanying financial statements of Lake Health District d/b/a Lake District Hospital (the "District") as of and for the year ended June 30, 2023, and have issued our report thereon dated December 27, 2023. 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 are listed on the following page.

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
Spokane, Washington

December 27, 2023

By:



Eric Volk, CPA, Oregon Municipal Auditor, Lic#15265

Lake Health District d/b/a Lake District Hospital

Audit Comments and Disclosures Required by State Regulations

Years Ended June 30, 2023 and 2022

Accounting Records (OAR 162-010-0230)

We noted the following instances related to accounting records and internal controls:

1. Financial accounting and reporting are not compiled by management.
2. The general ledger is not adequately reconciled by management.