

# Lake Health District d/b/a Lake District Hospital

Financial Statements and Supplementary Information

Years Ended June 30, 2024 and 2023



**Lake Health District**  
*Quality Care Close to Home*

# Lake Health District d/b/a Lake District Hospital

## Directory of Officials

June 30, 2024

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### Board of Directors

Jane O'Keefe	Chair
John Shine	Treasurer
Jerald Steward	Secretary
Don Liddycoat	Member
Greg Larson	Member

### Administrator

Landon M. Dybdal	CEO
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### 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, 2024 and 2023, 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, 2024 and 2023, and the changes in financial 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.

### ***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 February 6, 2025, 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

February 6, 2025

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, 2024 and 2023

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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, 2024. Please read it in conjunction with the financial statements that follow this analysis.

The District is a governmental entity and a political subdivision of the State of Oregon. The 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 4.1% and 4.2% of District receipts for the years ended June 30, 2024 and 2023, 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, 2024 and 2023

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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 43% of the gross patient revenue for the fiscal year ended June 30, 2024, was derived from Medicare, 20% from Medicaid, 35% from other insurance, and 2% 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, 2024 and 2023

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### 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, 2024 and 2023

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### Financial Discussion (Continued)

- 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 2023 and 2024 with the addition of orthopedic surgery.
- 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.
- 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.

### 2024 Financial Highlights

The District's overall business increased in 2024 with net patient service revenue at \$37.6 million, an increase of \$0.2 million, or 0.5%, from 2023.

Adjustments, including revenue deductions, allowances, charity, and bad debts reduced gross patient revenue in 2024 by \$16.3 million, or 30.2% of gross patient revenue. Revenue deductions increased by 12% from 2023 as a result of increased contractual adjustments and bad debts.

In total, the District's operating expenses decreased in 2024 by \$3 million, or 6%, from 2023. Salary and benefits decreased in 2024 by approximately \$(2.1) million, or less than 1%. Full-time equivalents (FTE) decreased from 339 in 2023 to 308, or 9%, in 2024.

Net nonoperating expense/revenue totaled \$2.0 million in 2024, an increase of \$1,077,405, or 119%, from 2023. This increase was a result of \$4.4 million in PPP loans forgiven and operating transfers to GLMS.

Net accounts receivable decreased from \$8.7 million in 2023 to \$8.6 million, or 1%, in 2024.

### Capital Assets

Lake District spent \$564,464 and \$324,641 in capital expenditures in 2024 and 2023, respectively. The majority of the expenditures in 2024 and 2023 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, 2024 and 2023

### 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 \$11,881,882. 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>	2024	2023	<u>Change</u> <u>2024-2023</u>
Assets:			
Other assets	\$ 17,167	\$ 15,871	\$ 1,296
Capital assets	28,094	30,197	(2,103)
<b>Total assets</b>	<b>\$ 45,261</b>	<b>\$ 46,068</b>	<b>\$ (807)</b>
Liabilities:			
Other liabilities	\$ 12,375	\$ 13,048	\$ (673)
Long-term liabilities	29,491	30,299	(808)
<b>Total liabilities</b>	<b>41,866</b>	<b>43,347</b>	<b>(1,481)</b>
Deferred inflow of resources	14	19	(5)
Net position:			
Restricted	1,482	1,155	327
Unrestricted	1,899	1,547	352
<b>Total net position</b>	<b>3,381</b>	<b>2,702</b>	<b>679</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 45,261</b>	<b>\$ 46,068</b>	<b>\$ (807)</b>

# Lake Health District d/b/a Lake District Hospital

## Management's Discussion and Analysis

Years Ended June 30, 2024 and 2023

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

<i>Years Ended June 30,</i>	2024	2023	<u>Change</u> 2024-2023
Operating revenue:			
Net patient service revenue	\$ 37,584	\$ 37,404	\$ 180
Other operating revenue	2,488	2,002	486
Total operating revenue	40,072	39,406	666
Operating expenses:			
Salaries and benefits	23,208	25,337	(2,129)
Supplies	2,784	2,909	(125)
Other	11,917	11,901	16
Depreciation and amortization	2,663	2,932	(269)
Total operating expenses	40,572	43,079	(2,507)
Operating loss	(500)	(3,673)	3,173
Nonoperating revenue (expenses):			
Property tax revenue	1,763	1,750	13
Interest expense	(1,014)	(1,148)	134
Noncapital grants and donations - Net	422	(393)	815
Miscellaneous	291	125	166
Lease income	94	543	(449)
Other nonoperating expense	428	31	397
Net nonoperating revenue	1,984	908	1,076
Revenue in excess (deficit) of expenses after nonoperating revenue	1,484	(2,765)	4,249
Operating transfers to Goose Lake Medical Services	(805)	(1,642)	837
Change in net position	679	(4,407)	5,086
Net position - Beginning of year	2,702	7,109	(4,407)
Net position - End of year	\$ 3,381	\$ 2,702	\$ 679

### 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>	2024	2023
Current assets:		
Cash and cash equivalents - Unrestricted	\$ 4,374,567	\$ 3,542,414
Receivables:		
Patient accounts - Net	8,627,717	8,671,411
Taxes receivable	152,961	134,276
Other accounts receivable	366,122	583,443
Estimated third-party payor settlements	729,539	400,374
Inventory	423,298	496,725
Prepaid expenses	418,526	294,281
Total current assets	15,092,730	14,122,924
Noncurrent assets:		
Cash and cash equivalents - Other noncurrent deposits	594,015	594,015
Cash and cash equivalents - Restricted	1,480,570	1,154,144
Capital assets - Nondepreciable	403,958	245,026
Capital assets - Net of accumulated depreciation	27,689,873	29,952,319
Total noncurrent assets	30,168,416	31,945,504
TOTAL ASSETS	\$ 45,261,146	\$ 46,068,428

# Lake Health District d/b/a Lake District Hospital

## Statements of Net Position (Continued)

<i>June 30,</i>	2024	2023
<b>Current liabilities:</b>		
Accounts payable	\$ 2,421,191	\$ 2,370,863
Accrued salary, payroll taxes, and benefits	1,656,450	2,014,502
Accrued interest	173,004	181,326
Other accrued expenses	756,835	-
Current portion of long-term obligations	2,449,786	2,228,334
Unearned revenue	3,711,295	3,860,096
<b>Total current liabilities</b>	<b>11,168,561</b>	<b>10,655,121</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, less current portion	27,041,386	28,070,841
Lease obligations, less current portion	170,831	327,989
Subscription-based liabilities, less current portion	3,485,342	4,293,627
<b>Total noncurrent liabilities</b>	<b>30,697,559</b>	<b>32,692,457</b>
<b>Total liabilities</b>	<b>41,866,120</b>	<b>43,347,578</b>
<b>Deferred inflows of resources - Leases</b>	<b>15,165</b>	<b>19,714</b>
<b>Net position:</b>		
Restricted expendable - For debt service	766,101	488,138
Restricted nonexpendable - Endowments	714,469	666,006
Unrestricted	1,899,291	1,546,992
<b>Total net position</b>	<b>3,379,861</b>	<b>2,701,136</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 45,261,146</b>	<b>\$ 46,068,428</b>

# 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>	2024	2023
Current assets:		
Cash and cash equivalents	\$ 511,815	\$ 208,768
Patient accounts - Net	44,382	1,466,064
Inventory	235,703	475,330
Total current assets	791,900	2,150,162
<b>TOTAL ASSETS</b>	<b>\$ 791,900</b>	<b>\$ 2,150,162</b>
Liabilities and net position:		
Total liabilities - Current	6,278	-
Net position - Unrestricted	785,622	2,150,162
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 791,900</b>	<b>\$ 2,150,162</b>

# Lake Health District d/b/a Lake District Hospital

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

<i>Years Ended June 30,</i>	2024	2023
Revenue:		
Net patient service revenue	\$ 37,584,479	\$ 37,404,004
Other operating revenue	2,487,889	2,002,464
Total operating revenue	40,072,368	39,406,468
Operating expenses:		
Salaries and wages	17,394,498	19,301,599
Employee benefits	5,813,975	6,035,456
Professional fees	8,599,278	8,279,111
Supplies	2,784,270	2,908,852
Purchased services	717,135	641,622
Licenses and taxes	-	20,282
Depreciation and amortization	2,663,429	2,932,028
Other operating expense	2,600,940	2,961,207
Total operating expenses	40,573,525	43,080,157
Loss from operations	(501,157)	(3,673,689)
Nonoperating revenue (expenses):		
Property taxes	1,762,620	1,749,740
Interest income	292,418	124,679
Interest expense	(1,013,818)	(1,148,086)
Grants and contributions	421,722	(393,279)
Lease income	93,927	543,282
Other nonoperating expenses	428,197	31,325
Total nonoperating revenue	1,985,066	907,661
Revenue in excess (deficit) of expenses after nonoperating revenue	1,483,909	(2,766,028)
Operating transfers from (to) Goose Lake Medical Services	(805,184)	(1,642,467)
Change in net position	678,725	(4,408,495)
Net position - Beginning of year	2,701,136	7,109,631
Net position - End of year	\$ 3,379,861	\$ 2,701,136

**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>	2024	2023
Net patient service revenue	\$ (565,454)	\$ 3,264,145
Operating expenses:		
Salaries and wages	316,635	1,057,618
Employee benefits	165,968	674,199
Professional fees	446,795	2,064,583
Supplies	432,624	463,554
Purchased services	54,578	90,422
Other	123,308	771,361
<b>Total operating expenses</b>	<b>1,539,908</b>	<b>5,121,737</b>
<b>Loss from operations</b>	<b>(2,105,362)</b>	<b>(1,857,592)</b>
Nonoperating revenue:		
Operating transfers from Lake Health District	740,816	1,642,483
Other nonoperating revenue	6	488,556
<b>Total nonoperating revenue</b>	<b>740,822</b>	<b>2,131,039</b>
<b>Change in net position</b>	<b>(1,364,540)</b>	<b>273,447</b>
<b>Net position - Beginning of year</b>	<b>2,150,162</b>	<b>1,876,715</b>
<b>Net position - End of year</b>	<b>\$ 785,622</b>	<b>\$ 2,150,162</b>

# Lake Health District d/b/a Lake District Hospital

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2024	2023
Cash flows provided by (used in) operating activities:		
Receipts from and on behalf of patients	\$ 38,055,843	\$ 36,014,898
Receipts from other operating revenue	2,686,525	1,957,126
Payments to employees	(23,566,525)	(26,159,600)
Payments to suppliers, contractors, and others	(14,702,113)	(14,845,435)
Net cash provided by (used in) operating activities	2,473,730	(3,033,011)
Cash flows provided by noncapital financing activities:		
Property taxes received	1,241,041	1,270,655
Cash received from grants and contributions	695,319	2,911,826
Operating transfers to Goose Lake Medical Service	(805,184)	(1,642,467)
Net cash provided by noncapital financing activities	1,131,176	2,540,014
Cash flows used in capital and related financing activities:		
Property taxes received for bond payments	521,579	523,524
Principal payments on long-term obligations	(1,767,647)	(2,247,369)
Interest paid on long-term obligations	(1,022,140)	(1,083,570)
Proceeds from sale of assets	-	330,889
Purchase of capital assets	(564,464)	(324,641)
Net cash used in capital and related financing activities	(2,832,672)	(2,801,167)
Cash flows provided by investing activities:		
Interest received	292,418	124,679
Cash received from lease income	93,927	543,282
Net cash provided by investing activities	386,345	667,961
Net change in cash and cash equivalents	1,158,579	(2,626,203)
Cash and cash equivalents - Beginning of year	5,290,573	7,916,776
Cash and cash equivalents - End of year	\$ 6,449,152	\$ 5,290,573

# Lake Health District d/b/a Lake District Hospital

## Statements of Cash Flows (Continued)

Years Ended June 30,	2024	2023
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	\$ (501,157)	\$ (3,673,689)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	2,663,429	2,932,028
Provision for bad debts and other adjustments	3,437,614	1,287,731
Changes in assets and liabilities:		
Receivables:		
Patient accounts - Net	(3,393,920)	(882,358)
Other accounts receivable	217,321	(47,937)
Taxes receivable	(18,685)	-
Estimated third-party payor settlements	(329,165)	(14,015)
Inventory	73,427	(7,223)
Prepaid expenses	(124,245)	(139,451)
Accounts payable	50,328	112,313
Accrued salaries, payroll taxes, and benefits	(358,052)	(819,946)
Other accrued expense	756,835	-
Refundable advance	-	(1,780,464)
Total adjustments	2,974,887	640,678
Net cash provided by (used in) operating activities	\$ 2,473,730	\$ (3,033,011)
<b>Supplemental noncash and noncapital financing activities:</b>		
Discharge of PPP loan	\$ 275,096	\$ 387,913

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### 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. Lakeview Gardens, LLC closed on August 18, 2023.

#### 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

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### **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.

#### **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

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### **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, 2024 and 2023 because the eligibility requirements were not yet met.

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### 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, 2024, 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 \$1,762,620 and \$1,749,740 for the years ended June 30, 2024 and 2023, respectively. The District received approximately 4% of its financial support from property taxes for the years ended June 30, 2024 and 2023.

#### 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

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### **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 two categories:

*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 preceding category.

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.

#### **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.

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Net Patient Service Revenue** (Continued)

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, 2024, 2023, and 2022 are subject to examination.

#### **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

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Subscription Based Information Technology Arrangements

The District is a party to multiple noncancelable subscription based information technology arrangements (SBITAs). If the contract provides the District the right to use the present service capacity and the right to direct the use of the identified asset, it is considered to be or contain a SBITA. Subscription-based assets and liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected contract term. The SBITA asset is also adjusted for any prepayments made and capitalizable initial implementation costs as incurred.

The SBITA liability is initially and subsequently recognized based on the present value of its future payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable payments due to subsequent changes in an index or rate are recorded as an adjustment to expense in the period in which they are incurred.

The discount rate used is the implicit rate in the SBITA contract, if it is readily determinable, or the District's incremental borrowing rate.

For all underlying classes of assets, the District does not recognize SBITA assets and liabilities for short-term agreements that have a contract term of 12 months or less at contract commencement. Contracts containing termination clauses in which either party may terminate without cause and the notice period is less than 12 months are deemed short-term agreements with costs included in expense.

#### Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 classifications. Such reclassifications had no effect on the amounts of previously-reported net position.

### Note 2: 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, 2024, 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.

The District is a participant in the State of Oregon Local Government Investment Pool (LGIP), which is included in

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 2: Cash and Cash Equivalents (Continued)

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 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, 2024 and 2023.

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>	2024	2023
Demand deposits	\$ 6,443,662	\$ 5,285,083
Cash on hand	5,490	5,490
<b>Total cash and cash equivalents</b>	<b>\$ 6,449,152</b>	<b>\$ 5,290,573</b>

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

<i>June 30,</i>	2024	2023
Demand deposits	\$ 511,815	\$ 208,768

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

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 2: Cash and Cash Equivalents (Continued)

<i>June 30,</i>	2024	2023
Current:		
Unrestricted	\$ 4,374,567	\$ 3,542,414
Noncurrent:		
Restricted for debt service	766,101	488,138
Restricted for endowment provisions	714,469	666,006
Unrestricted board designated	594,015	594,015
<b>Totals</b>	<b>\$ 6,449,152</b>	<b>\$ 5,290,573</b>

#### 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 \$228,819 and \$180,356 at June 30, 2024 and 2023, 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.

### Note 3: 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 \$32,584,359 and \$34,431,333 for the years ended June 30, 2024 and 2023, 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).

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### **Note 3: Reimbursement Arrangement With Third-Party Payors (Continued)**

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, 2020 and 2018, respectively.

#### **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.

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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

Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The District may either accept or appeal the RAC's findings. A RAC review of the District's Medicare claims is anticipated; however, the outcome of such a review is unknown, and any financial impact cannot be reasonably estimated at this time.

### Note 4: Property Taxes Receivable

The schedule of property tax transactions and outstanding balances follows:

Fiscal Year	Receivable July 1, 2023	2023-2024 Net Levy	Discounts	Adjustments	Interest	Cash Collections	Receivable June 30, 2024
2023-2024	\$ -	\$ 1,762,620	\$ 34,306	\$(3,355,077)	\$ 141	\$ 1,633,530	\$ 75,520
2022-2023	68,982	-	472	(59,790)	302	29,160	39,126
2021-2021	33,803	-	4	(23,008)	295	11,034	22,128
2020-2020	18,675	-	4	(19,104)	375	9,251	9,201
2019-2019	7,400	-	3	(9,996)	230	4,782	2,419
2018-2018	1,099	-	-	(431)	8	204	880
Prior	4,317	-	-	(719)	3	86	3,687
<b>Totals</b>	<b>\$ 134,276</b>	<b>\$ 1,762,620</b>	<b>\$ 34,789</b>	<b>\$(3,468,125)</b>	<b>\$ 1,354</b>	<b>\$ 1,688,047</b>	<b>\$ 152,961</b>

The schedule of property tax transactions and outstanding balances at June 30, 2023, 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
2021-2021	117,034	-	-	(118,587)	379	34,977	33,803
2020-2020	32,856	-	-	(25,193)	338	10,674	18,675
2019-2019	17,073	-	-	(16,554)	366	6,515	7,400
2018-2018	6,747	-	-	(10,129)	223	4,258	1,099
2016-2017	1,500	-	-	(578)	5	67	994
Prior	3,505	-	-	(189)	-	7	3,323
<b>Totals</b>	<b>\$ 178,715</b>	<b>\$ 1,753,642</b>	<b>\$ 47,126</b>	<b>\$(3,568,151)</b>	<b>\$ 1,426</b>	<b>\$ 1,721,518</b>	<b>\$ 134,276</b>

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 5: Other Receivables

Other receivables consisted of the following:

<i>June 30,</i>	2024	2023
Other receivables:		
Other accounts receivable	\$ 366,122	\$ 135,633
Education/recruiting loans to providers	-	447,810
<b>Totals</b>	<b>\$ 366,122</b>	<b>\$ 583,443</b>

### Note 6: Patient Accounts Receivable

Patient accounts receivable - Net consisted of the following:

<i>June 30,</i>	2024	2023
Patient accounts receivable:		
Medicare	\$ 4,420,405	\$ 4,172,286
Medicaid	1,987,229	2,246,629
Commercial and other	6,268,338	4,719,038
Self-pay	568,871	403,408
<b>Total patient accounts receivable</b>	<b>13,244,843</b>	<b>11,541,361</b>
Less:		
Contractual adjustments	4,361,155	2,682,536
Allowance for doubtful accounts	255,971	187,414
<b>Patient accounts receivable - Net</b>	<b>\$ 8,627,717</b>	<b>\$ 8,671,411</b>

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 6: Patient Accounts Receivable (Continued)

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

<i>June 30,</i>	2024	2023
Patient accounts receivable:		
Medicare	\$ 23,561	\$ 229,174
Medicaid	585	154,509
Commercial and other	1,545,201	1,048,330
Self-pay	30,930	49,051
Total patient accounts receivable	1,600,277	1,481,064
Less:		
Contractual adjustments	1,540,895	-
Allowance for doubtful accounts	15,000	15,000
Patient accounts receivable - Net	\$ 44,382	\$ 1,466,064

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

### Note 7: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2023	Additions	Transfer	Retirements	Balance June 30, 2024
<b>Nondepreciable assets:</b>					
Land	\$ 183,735	\$ -	\$ -	\$ -	\$ 183,735
Construction in progress	61,291	158,932	-	-	220,223
<hr/>					
Total nondepreciable capital assets	245,026	158,932	-	-	403,958
<hr/>					
<b>Depreciable assets:</b>					
Land improvements	948,088	-	-	-	948,088
Buildings and improvements	46,067,271	133,115	-	-	46,200,386
Software	1,760,994	1,295	-	-	1,762,289
Equipment	6,378,341	271,122	-	-	6,649,463
<hr/>					
Total depreciable capital assets	55,154,694	405,532	-	-	55,560,226
<hr/>					
Total capital assets before depreciation	55,399,720	564,464	-	-	55,964,184
<hr/>					
Total accumulated depreciation	30,708,236	1,774,441	-	-	32,482,677
<hr/>					
Total depreciable assets - Net	24,691,484	(1,209,977)	-	-	23,481,507
<hr/>					
<b>Right of use assets</b>					
Equipment	1,536,073	-	-	-	1,536,073
<hr/>					
Accumulated amortization right of use assets	963,806	71,272	-	-	1,035,078
<hr/>					
Total right of use assets	572,267	(71,272)	-	-	500,995
<hr/>					
Subscription-based assets	6,578,124	-	-	-	6,578,124
<hr/>					
Accumulated amortization: SBA	1,644,530	822,265	-	-	2,466,795
<hr/>					
Total subscription-based assets	4,933,594	(822,265)	-	-	4,111,329
<hr/>					
Capital assets - Net	\$ 30,197,345	\$ (2,103,514)	\$ -	\$ -	\$ 28,093,831

At June 30, 2024, 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 7: Capital Assets (Continued)

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

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

### Note 8: Long-Term Obligations

Long-term obligations consisted of the following:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Direct placements:					
USDA General Obligation Bonds	\$ 6,019,241	\$ -	\$ (214,633)	\$ 5,804,608	\$ 230,636
Washington Federal 2015 Bonds	10,835,471	-	(439,493)	10,395,978	355,777
Washington Federal 2016 Bonds	12,226,813	-	(344,931)	11,881,882	454,669
Direct borrowings:					
Paycheck Protection Program loan	275,096	-	(275,096)	-	-
EOCCO payable	-	750,000	(307,243)	442,757	442,757
<b>Total long-term debt</b>	<b>\$ 29,356,621</b>	<b>\$ -</b>	<b>\$ (1,274,153)</b>	<b>\$ 28,525,225</b>	<b>\$ 1,483,839</b>

Long-term debt 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
<b>Total long-term debt</b>	<b>\$ 30,724,360</b>	<b>\$ -</b>	<b>\$ (1,367,739)</b>	<b>\$ 29,356,621</b>	<b>\$ 1,285,780</b>

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 8: 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, 2024 and 2023, respectively, until \$448,720 and \$26,763, respectively, has been accumulated. The District had accumulated \$766,101 and \$488,138 in the reserve account as of June 30, 2024 and 2023, 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 \$11,881,882 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%.

**EOCCO Payable** - In February 2024, Eastern Oregon Coordinated Care Organization, LLC (EOCCO) provided up front funding totaling \$750,000, due in repayments of monthly payments of \$78,500, ending December 31, 2024, with no stated interest rate.

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

### Note 8: 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
2025	\$ 1,041,082	\$ 874,735	\$ 442,757	\$ -
2026	1,075,046	841,464	-	-
2027	1,109,390	807,120	-	-
2028	1,144,840	771,669	-	-
2029	1,181,434	735,075	-	-
2030-2034	6,498,786	3,083,761	-	-
2035-2039	7,608,105	1,962,512	-	-
2040-2044	7,529,941	693,966	-	-
2045-2049	893,844	19,571	-	-
<b>Totals</b>	<b>\$ 28,082,468</b>	<b>\$ 9,789,873</b>	<b>\$ 442,757</b>	<b>\$ -</b>

### Note 9: Lease Obligations

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

	Balance July 1, 2023			Additions	Reductions	Balance June 30, 2024		Amounts Due Within One Year
	Principal	Interest	Total			Principal	Interest	
First American	\$ 107,236	\$ -	\$ (54,093)	\$ 53,143	\$ 53,143	\$ 53,143	\$ 53,143	
First American ST 2	290,033	-	(60,039)	229,994	229,994	62,477	62,477	
RICOH	88,848	-	(43,492)	45,356	45,356	42,042	42,042	
<b>Total capital leases obligations</b>	<b>\$ 486,117</b>	<b>\$ -</b>	<b>\$ (157,624)</b>	<b>\$ 328,493</b>	<b>\$ 328,493</b>	<b>\$ 157,662</b>	<b>\$ 157,662</b>	

	Balance July 1, 2022			Additions	Reductions	Balance June 30, 2023		Amounts Due Within One Year
	Principal	Interest	Total			Principal	Interest	
GE DePuySynthes	\$ 20,469	\$ -	\$ (20,469)	\$ -	\$ -	\$ -	\$ -	
First American	161,134	-	(53,898)	107,236	107,236	54,597	54,597	
First American S2	-	319,169	(29,136)	290,033	290,033	60,039	60,039	
RICOH	132,340	-	(43,492)	88,848	88,848	43,492	43,492	
<b>Total capital leases obligation</b>	<b>\$ 181,603</b>	<b>\$ 319,169</b>	<b>\$ (146,995)</b>	<b>\$ 486,117</b>	<b>\$ 486,117</b>	<b>\$ 158,128</b>	<b>\$ 158,128</b>	

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 9: 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 \$651,465 and \$873,359 for the years ended June 30, 2024 and 2023, 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 \$93,927 and \$543,282 for the years ended June 30, 2024 and 2023, respectively.

Future minimum lease payments as of June 30, 2024, are:

<i>Years Ending June 30,</i>	Principal	Interest	Total
2025	\$ 157,662	\$ 9,841	\$ 167,503
2026	75,815	5,806	81,621
2027	67,654	3,094	70,748
2028	27,362	524	27,886
<b>Totals</b>	<b>\$ 328,493</b>	<b>\$ 19,265</b>	<b>\$ 347,758</b>

### 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, 2024 \$15,165 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

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### Note 10: Subscription-Based Information Technology Arrangements

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

	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024	Amounts due Within one Year
Cerner	\$ 5,078,053	\$ -	\$ (784,426)	\$ 4,293,627	\$ 808,285

	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

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
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
<b>Total</b>	<b>\$ 4,293,627</b>	<b>\$ 335,335</b>

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

### Note 11: Net Patient Service Revenue

Net patient service revenue consisted of the following:

<i>Years Ended June 30,</i>	2024	2023
Gross patient service revenue:		
Inpatient services	\$ 9,620,003	\$ 9,712,857
Outpatient services	44,251,434	42,178,415
<b>Total gross patient service revenue</b>	<b>53,871,437</b>	<b>51,891,272</b>
Less:		
Contractual adjustments	12,849,344	13,199,537
Provision for bad debts and other adjustments	3,437,614	1,287,731
<b>Net patient service revenue</b>	<b>\$ 37,584,479</b>	<b>\$ 37,404,004</b>

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

<i>Years Ended June 30,</i>	2024	2023
Medicare	43 %	40 %
Medicaid	20 %	22 %
Other third-party payors	35 %	33 %
Self-pay	2 %	5 %
<b>Totals</b>	<b>100 %</b>	<b>100 %</b>

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

<i>Years Ended June 30,</i>	2024	2023
Gross patient service revenue - Outpatient services	\$ 936,701	\$ 3,044,814
Less - Contractual adjustments	1,502,155	(219,331)
<b>Net patient service revenue</b>	<b>\$ (565,454)</b>	<b>\$ 3,264,145</b>

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 12: 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 \$811,718 and \$544,378 for the years ended June 30, 2024 and 2023, respectively. The Plan had \$40,435 and \$19,321 in forfeitures during the years ended June 30, 2024 and 2023, respectively. No employee contributions were made to this plan.

### Note 13: 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. Although there exists the possibility of claims arising from services provided to patients through June 30, 2024, which have not yet been asserted, the District is unable to determine the ultimate cost, if any, of such possible claims and, accordingly, no provision has been made for them. This policy is renewable annually and has been renewed by the insurance carrier for the annual period extending through December 1, 2025.

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, 2024, 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.

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

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### Note 13: Risks and Uncertainties (Continued)

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.

### Note 14: 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>	2024	2023
Medicare	41 %	35 %
Medicaid	14 %	24 %
Other third-party payors	41 %	37 %
Self-pay	4 %	4 %
<b>Totals</b>	<b>100 %</b>	<b>100 %</b>

### Note 15: 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>	2024	2023
Assets:		
Current assets	\$ 37,176	\$ 1,538,432
<b>Total assets</b>	<b>\$ 37,176</b>	<b>\$ 1,538,432</b>
Net position - Unrestricted	\$ 37,176	\$ 1,538,432
Total liabilities and net position	\$ 37,176	\$ 1,538,432

# Lake Health District d/b/a Lake District Hospital

## Notes to Financial Statements

### Note 15: Condensed Financial Information for Component Units (Continued)

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

<i>Years Ended June 30,</i>	2024	2023
Operating revenue	\$ (1,150,595)	\$ 2,758,580
Operating expenses	682,083	4,532,345
Loss from operations	(1,832,678)	(1,773,765)
Nonoperating revenue	331,422	2,066,846
Change in net position	(1,501,256)	293,081
Net position - Beginning of year	1,538,432	1,245,351
Net position - End of year	\$ 37,176	\$ 1,538,432

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

<i>Years Ended June 30,</i>	2024	2023
Cash flows from operating activities	\$ (31,819)	\$ 103,839
Change in cash and cash equivalents	(31,819)	103,839
Cash and cash equivalents - Beginning of the year	144,009	40,170
Cash and cash equivalents - End of year	\$ 112,190	\$ 144,009

### Note 16: Related-Party Transactions

District transfers to GLMS consisted of the following:

<i>Years Ended June 30,</i>	2024	2023
Operating transfers to Goose Lake Medical Services	\$ 2,383,192	\$ 1,642,376

## **Supplementary Information**

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# Lake Health District d/b/a Lake District Hospital

## Combining Statements of Net Position of GLMS and LVG

<i>June 30, 2024</i>	GLMS	LVG	Eliminations	Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 399,625	\$ 112,190	\$ -	\$ 511,815
Patient accounts - Net	119,396	(75,014)	-	44,382
Inventory	235,703	-	-	235,703
<b>TOTAL ASSETS</b>	<b>\$ 754,724</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>\$ 791,900</b>
<b>Liabilities:</b>				
Obligations under capital leases	6,278	-	-	6,278
<b>Total current liabilities</b>	<b>6,278</b>	<b>-</b>	<b>-</b>	<b>6,278</b>
<b>Net position - Unrestricted</b>	<b>\$ 748,446</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>\$ 785,622</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 754,724</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>\$ 791,900</b>

# Lake Health District d/b/a Lake District Hospital

## Combining Statements of Net Position of GLMS and LVG

(Continued)

<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
Inventories	475,330	-	-	475,330
<b>TOTAL ASSETS</b>	<b>\$ 611,730</b>	<b>\$ 1,538,432</b>	<b>\$ -</b>	<b>\$ 2,150,162</b>
Net position - Unrestricted	\$ 611,730	\$ 1,538,432	\$ -	\$ 2,150,162
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 611,730</b>	<b>\$ 1,538,432</b>	<b>\$ -</b>	<b>\$ 2,150,162</b>

# 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, 2024</i>	GLMS	LVG	Eliminations	Total
<b>Revenue:</b>				
Net patient service revenue	\$ 585,141	\$(1,150,595)	\$ -	\$ (565,454)
<b>Operating expenses:</b>				
Salaries and wages	262,577	54,058	-	316,635
Employee benefits	98,958	67,010	-	165,968
Professional fees	70,587	376,208	-	446,795
Supplies	404,460	28,164	-	432,624
Purchased services	-	54,578	-	54,578
Other	21,243	102,065	-	123,308
<b>Total operating expenses</b>	<b>857,825</b>	<b>682,083</b>	<b>-</b>	<b>1,539,908</b>
<b>Loss from operations</b>	<b>(272,684)</b>	<b>(1,832,678)</b>	<b>-</b>	<b>(2,105,362)</b>
Operating transfers from (to) Lake Health District	409,394	331,422	-	740,816
Other income	6	-	-	6
<b>Total nonoperating revenue</b>	<b>409,400</b>	<b>331,422</b>	<b>-</b>	<b>740,822</b>
<b>Increase (decrease) in net position</b>	<b>136,716</b>	<b>(1,501,256)</b>	<b>-</b>	<b>(1,364,540)</b>
<b>Net position - Beginning of year</b>	<b>611,730</b>	<b>1,538,432</b>	<b>-</b>	<b>2,150,162</b>
<b>Net position - End of year</b>	<b>\$ 748,446</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>\$ 785,622</b>

# 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, 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 Lake Health District	64,193	1,578,290	-	1,642,483
Noncapital grants and donations - Net	-	488,556	-	488,556
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

## Schedule of Adopted Appropriations and Expenditures - Original, Final Budget, and Actual

Year Ended June 30, 2024

	Original Budget	Budget Amendments	Final Budget	Actual	Variance
Revenue:					
Revenue except for property taxes	\$36,025,996	\$ -	\$ 36,025,996	\$ 40,880,435	\$ (4,854,439)
Property taxes	1,741,277	-	1,741,277	1,762,620	(21,343)
<b>Total revenue</b>	<b>\$37,767,273</b>	<b>\$ -</b>	<b>\$ 37,767,273</b>	<b>\$ 42,643,055</b>	<b>\$ (4,875,782)</b>
Expenditures:					
Personnel services	\$23,171,752	\$ -	\$ 23,171,752	\$ 23,208,473	\$ (36,721)
Materials and services	16,727,878	-	16,727,878	15,287,244	1,440,634
Capital outlay	2,596,707	-	2,596,707	564,464	2,032,243
Debt service	1,058,898	-	1,058,898	2,247,369	(1,188,471)
<b>Total expenditures</b>	<b>\$43,555,235</b>	<b>\$ -</b>	<b>\$ 43,555,235</b>	<b>\$ 41,307,550</b>	<b>\$ 2,247,685</b>
Loss from operations - Budgetary				\$ 1,335,505	
Reconciliation of statutory operating expenditures to GAAP-basis operating expenses:					
Add: Capital outlay				564,464	
Add: Long-term debt and capital leases principal reductions				2,247,369	
Less: Contribution from LHD				805,184	
Less: Depreciation and amortization				2,663,429	
<b>Total effects of reconciliation</b>				<b>(656,780)</b>	
Change in net position				678,725	
Net position - Beginning of year				2,701,136	
Net position - End of year				<b>\$ 3,379,861</b>	

## **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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 6, 2025.

### **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.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-002 to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-001 to be a significant deficiency.

## 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*.

## The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lake Health District d/b/a Lake District Hospital's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Lake Health District d/b/a Lake District Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of This Report

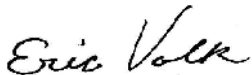
The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed 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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
Spokane, Washington

February 6, 2025

By:

A handwritten signature in cursive script that reads "Eric Volk".

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, 2024

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**Finding Number:** 2024-001

**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, 2024, 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, 2024

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**Finding Number:** 2024-002

**Type of Finding:** Material Weakness

**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, 2024, and have issued our report thereon dated February 6, 2025. 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*

Wipfli LLP  
Spokane, Washington

February 6, 2025

By:

*Eric Volk*

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, 2024 and 2023

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### **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.