WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

Deschutes Rim Health Clinic



WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
BOARD OF DIRECTORS
June 30, 2017

NAME	ADDRESS	POSITION
Dennis Beechler	Tygh Valley	Chair
Brian Manning	Tygh Valley	Vice-chair
Karletta Carrithers	Maupin	Secretary
Jackie Pennington	Tygh Valley	Director
Sandi Chamberlain	Tygh Valley	Director

Dennis Beechler — Registered Agent

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WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
June 30, 2017

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the district as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the district's 2016 financial statements of the business-type activities and each major fund, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The accompanying budgetary comparison schedule and the supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

As management of the White River Health District (the district), we offer readers of the district's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the district exceeded its liabilities as of June 30, 2017 by $242,136. Of this amount, $142,484 represents the district's investment in capital assets, and the balance of $99,652 is unrestricted and available to meet the district's ongoing obligations to citizens and creditors.

- The district's total net position increased by $18,185 primarily due to an increase in revenues in excess of the increase in expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's basic financial statements. The district's basic financial statements consist of two components: 1) basic financial statements and 2) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The General Fund is presented on the accrual basis of accounting, which presents information about the district's total economic resources, including long-lived assets and long-term obligations. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the district's annual property tax and other revenue. It also recognizes the long-term ramifications of decisions made by the district on an ongoing basis.

The basic financial statements can be found on pages 9 through 11 of this report.

Notes to Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 12 through 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

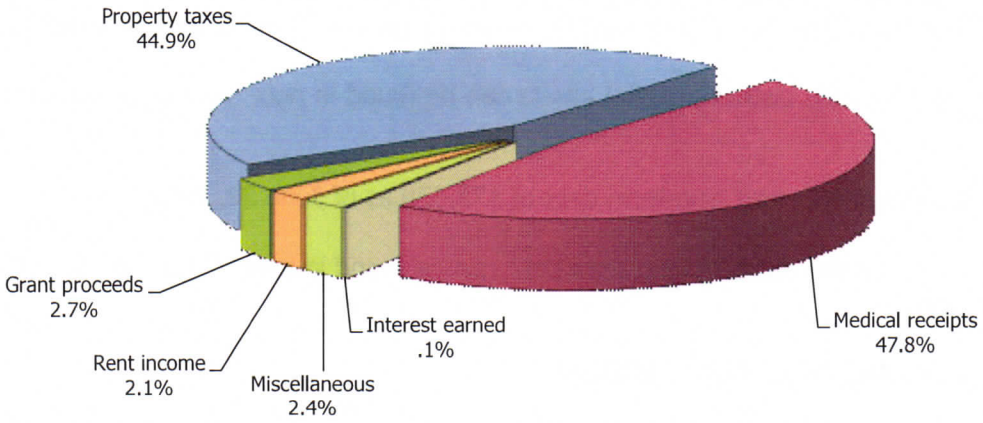
Net position may serve over time as a useful indicator of a government's financial position. In the case of the district, assets exceeded liabilities by $242,136 at June 30, 2017.

Capital assets, which consist of the district's leasehold improvements and equipment, represent about 59.7 percent of total assets. The remaining assets consist of cash, property taxes and other receivables, and inventory. The district had liabilities of $130,388 as of June 30, 2017.

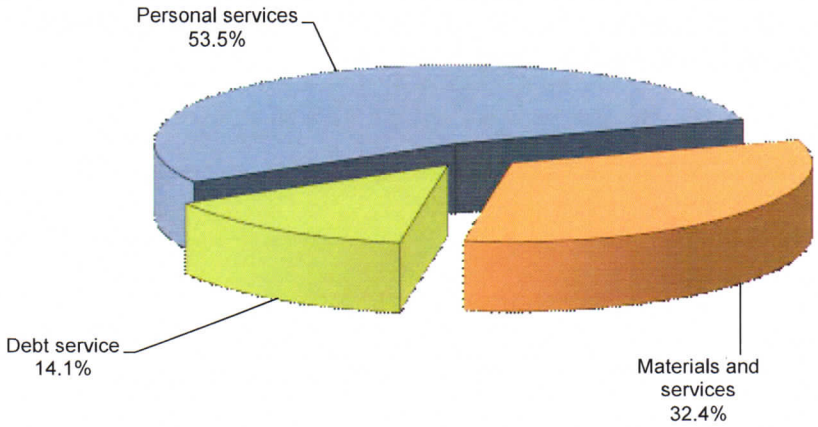
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the district's General Fund reported an ending budget basis fund balance of $95,808, a decrease of $54,893, in comparison with the prior year.

Revenue by Function - General Fund



Expenditures by Function - General Fund



BASIC FINANCIAL STATEMENTS

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended
June 30, 2017
(With Comparative Totals for 2016)

	June 30, 2017	June 30, 2016
Operating revenues		
Medical receipts	$ 230,281	$ 200,444
Miscellaneous revenue	11,764	3,216
Total operating revenues	242,045	203,660
Operating expenses		
Personal services	289,480	334,431
Materials and services	144,192	125,318
Depreciation	18,430	18,903
Total operating expenses	452,102	478,652
Loss before nonoperating revenues (expenses)	(210,057)	(274,992)
Nonoperating revenues (expenses)		
Taxes	215,148	209,585
Rent income	10,297	11,046
Grant income	12,802	84,117
Interest earned	712	349
Interest expense	(10,717)	(5,078)
Total nonoperating revenues (expenses)	228,242	300,019
Change in net position	18,185	25,027
Net position at beginning of year	223,951	198,924
Net position at end of year	$ 242,136	$ 223,951

The Notes to Basic Financial Statements are an integral part of these statements.

Note 1. Significant Accounting Policies

White River Health District (the district) is a health district authorized under ORS Chapter 440. The voters of the district elected to form the district in 2001. The district has the same boundaries as South Wasco School District except the city of Shaniko. The district accumulated tax revenues from 2001 to the summer of 2007 to help purchase, set-up, and equip the clinic building. The Deschutes Rim Health Clinic opened in September 2007. All residents of the area and visitors of the area are eligible to utilize the services of the district regardless of whether they pay property taxes.

The district is governed by a board of directors that is comprised of five directors elected from the district. The district exists to provide basic medical and health care for the residents of Sportsman's Park, Wamic, Tygh Valley, Pine Grove, Juniper Flat, Maupin, and South Junction.

The accounting policies of the district conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following summary of significant accounting policies is presented to assist the reader in evaluating the district's financial statements.

A. The Reporting Entity

The district board of directors exercises governance responsibilities over all entities related to district activity. The district receives funding from local, state, and federal sources. However, the district is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the district for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is financially accountable. No other entities met requirements for inclusion in the district.

B. Basis of Presentation

Fund Financial Statements

The fund financial statements provide information about the district's funds. The emphasis of fund financial statements is on major funds.

Depreciation is provided in amounts sufficient to recover the cost of the depreciable assets over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings and improvements	10-25 years
Equipment	5-15 years

E. Budgets and Budgetary Accounting

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. Budgetary comparisons for enterprise funds are not required by accounting principles generally accepted in the United States of America (GAAP). Accordingly, such comparisons of approved budgeted amounts with actual results of operations prepared on a basis other than GAAP are set forth on page 21 as an individual fund financial schedule.

Health districts with fiscal years beginning on or after July 1, 2002, are exempt from ORS 294.305 to 294.565 (Oregon Local Budget Law), which restricted municipal corporations from making expenditures in excess of budgeted amounts.

The district prepared, executed, and adopted the budget at the object classification level. Total personal services, materials and services, capital outlay, debt service and contingencies are the levels of control. Budgeted amounts are as originally adopted or amended by the board of directors. Management may realign resources within categories without seeking approval of the board of directors.

Budgets are adopted on a basis which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal yearend.

F. Property Taxes Receivable

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

Property tax revenues of the enterprise funds are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Property tax revenues of the General Fund are reserved for all amounts expected to be collected after 60 days from the end of the year. This treatment is consistent with prior years.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be

Where balances continually exceed $250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's web site. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization.

The balances in excess of the FDIC insurance are considered exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the bank failure, the district's deposits may not be returned to it. As of June 30, 2017 the district had no amount exposed to custodial credit risk.

As of June 30, 2017 the district had $24,673 invested in the Oregon Local Government Investment Pool. The district's position in the pool is stated at cost which approximates fair value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The district has no policy for managing interest rate or credit risk. Investments by the district held in the Local Government Investment Pool are not rated.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council.

Note 3. Accounts Receivable

Accounts receivable at June 30, 2017 are as follows:

Property taxes receivable		$14,591
Rents receivable		36,719
Accounts receivable	$48,228	
less allowance for bad debts	(17,556)	30,672
Net accounts receivable		$81,982

Note 4. Capital Assets

The district has maintained a physical inventory of all of its property, plant, and equipment, and has assigned values to each item included in the inventory based on historical cost information, estimated cost, or estimated value. Donated assets are valued at their estimated fair value at the time of the donation. The values reflected on the accompanying financial statements have been adjusted accordingly. Purchases of fixed assets are recorded as expenditures in the respective funds and are capitalized if the asset has an initial, individual cost in excess of $1,000 and a useful life of more than one year. Depreciation is calculated on all assets. Upon disposal, the assets are reduced by the related cost or estimated cost, and receipt from such disposal is accounted for as a receipt of the General Fund.

Fiscal Year Ending June 30,	Principal	Interest	Payment
2018	$ 10,000	$ 3,955	$ 13,955
2019	10,000	3,465	13,465
2020	10,000	2,958	12,958
2021	10,000	2,430	12,430
2022	10,000	1,890	11,890
2023-2024	30,000	1,620	31,620
Total	$ 80,000	$ 16,318	$ 96,318

Note 7. Short-term Debt

During the prior fiscal year, the district received proceeds from a tax anticipation note from Special Districts of Oregon to manage the temporary cash flow deficits that result when the timing of required expenditures does not coincide with the timing of the collection of property taxes. During the year, the district received proceeds from a line of credit from U.S. Bank. The following represents short-term debt activity:

	Balance July 01, 2016	Issued/ Matured	Retired/Paid	Balance June 30, 2017
Flextran Loan	$ 55,000	$ -	$ 55,000	$ -
US Bank LOC	-	41,916	8,144	33,772
Total short-term debt	$ 55,000	$ 41,916	$ 63,144	$ 33,772

Note 8. Compensated Absences

The district has instituted a paid time off (PTO) policy for full time employees. Regular employees working 32 or more hours per week may accrue PTO from the date of employment, but no leave may be taken during the first six months of employment. PTO will be earned at the following rates for all regular full-time employees:

1-4 years	10 hours per pay period
5 + years	13.34 hours per pay period

A maximum of 200 hours may be accumulated and is payable upon termination. At year end the 200 hours accumulated may be rolled over to the subsequent year or the employee may receive pay for 80 hours.

For the year ended June 30, 2017 a liability for compensated absences has been accrued in accordance with Statement on Financial Accounting Standards 43. Accordingly, a PTO liability of $8,030 is shown for June 30, 2017.

Note 9. Risk Management

The district is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the district carries commercial

SUPPLEMENTAL SCHEDULES

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
RECONCILIATION OF BUDGET BASIS FUND STATEMENT
TO ACCRUAL BASIS STATEMENTS
GENERAL FUND
For the year ended
June 30, 2017

	June 30, 2017
Reconciliation of beginning fund balance to beginning net position	
Beginning fund balance - budget basis	$ 150,701
Add deferred revenue on property taxes	12,243
Add capital assets	449,748
Less accumulated depreciation on capital assets	(238,149)
Less accrued compensated absences	(5,592)
Less FlexTran loan payable	(55,000)
Less FlexLease contracts payable	(90,000)
Beginning net position	223,951
Reconciliation of change in fund balance to change in net position	
Change in fund balance - budget basis	(54,893)
Add increased property taxes receivable	(369)
Add capital assets purchased	29,315
Less depreciation expense on capital assets	(18,430)
Change in accrued compensated absences	(2,438)
FlexLease principal payments	10,000
Change in net position	18,185
Reconciliation of ending fund balance to ending net position	
Ending fund balance - budget basis	95,808
Add deferred revenue on property taxes	11,874
Add capital assets	479,063
Less accumulated depreciation on capital assets	(256,579)
Less accrued compensated absences	(8,030)
Less FlexLease contracts payable	(80,000)
Ending net position	$ 242,136

SCHEDULE OF FINDINGS AND RESPONSES

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2017-002

Financial Statement Preparation

Criteria: The financial statements are the responsibility of the district's management, including the prevention or detection of material misstatements in the presentation and disclosure of the financial statements. Non-attest services performed by the auditor in the preparation of the financial statements cannot be considered compensating controls.

Condition: The district engages their auditors to provide non-attest services for the preparation of its financial statements. Although common for municipalities the size of the district, this condition represents a control deficiency over the financial reporting process that is required to be reported under professional standards as long as management makes all financial reporting decisions, and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Cause: The district's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes in accordance with GAAP, and therefore may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by GAAP.

Effect: Material misstatement in the preparation and disclosure of the financial statements in accordance with GAAP may not be prevented or detected. Misstatements in financial statements include not only misstated dollar amounts, but also the omission of disclosures required under GAAP.

Recommendations: We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, management (including the Board of Directors) should mitigate this deficiency by keeping informed about the district's internal controls, performing supervisory reviews, studying the financial statements and related footnote disclosures, and understanding its responsibility for the financial statements as a whole.

This deficiency is related specifically to the preparation of GAAP basis financial statements and does not adversely affect the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with their budget basis of accounting.

Responsible Official's Response: We understand the importance of risk management and the need to address risks in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person or another firm to prepare our financial statements does not justify the cost.

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

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

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the district's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control. Deficiencies in internal control, in any, were communicated separately.

Our 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* dated December 13, 2017, is presented under separate cover.

RESTRICTIONS ON USE

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

Oster Professional Group, CPA's, LLP
OPGCPA, PC

By Robert W. Armstrong

John Day, Oregon
December 13, 2017

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The district's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the district's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP
OPGCPA, PC

By Robert H. Armstrong

John Day, Oregon
December 13, 2017