WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

Deschutes Rim Health Clinic



WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
BOARD OF DIRECTORS
June 30, 2020

NAME	ADDRESS	POSITION
Dennis Beechler	PO Box 277 Tygh Valley, OR 97063	Chairman
Suzanne Knapp	PO Box 251 Maupin, OR 97037	Secretary
James Holycross	1701 George Jackson Rd, Apt 205 Maupin, OR 97037	Director
Kathie Richey	1605 George Jackson Rd Maupin, OR 97037	Director
Dennis Beechler		Registered Agent

PO Box 219
Maupin, OR 97037
Telephone (541) 395-2911
FAX (541) 395-2912

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
June 30, 2020

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Solutions
Certified Public Accountants, PC

Mitch T. Saul, CPA
Amy K. Walker, CPA
Anna K. Bass

Robert M. Armstrong, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
White River Health District
Maupin, Oregon

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities and each major fund of White River Health District (the district), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

101 NE First Avenue, John Day, Oregon 97845
Phone (541) 575-2717 FAX (541) 575-2718
www.solutionscpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities and each major fund of the district as of June 30, 2020, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Emphasis of Matter

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

Other Matters

Report on Summarized Comparative Information

The 2019 financial statements were reviewed by us and our report thereon, dated December 17, 2019, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with the modified cash basis of accounting described in Note 1. However, a review is substantially less in scope than an audit and does not provide a basis for expression of an opinion on the financial statements as a whole.

Report on Supplementary and 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.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2021, on our consideration of the district's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations,* we have also issued our report dated January 26, 2021, on our consideration of the district's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Amy K. Walker

For Solutions, CPAs PC
John Day, Oregon
January 26, 2021

BASIC FINANCIAL STATEMENTS

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
STATEMENT OF NET POSITION
Modified Cash Basis
June 30, 2020
(With Comparative Totals for 2019)

	June 30, 2020	June 30, 2019
ASSETS		
Current		
Cash and investments	$ 62,173	$ 38,389
Total current assets	62,173	38,389
Noncurrent		
Capital assets, not subject to depreciation		
Construction in progress	325,723	271,530
Capital assets, net of accumulated depreciation		
Buildings and improvements	126,576	147,914
Equipment	107,839	93,873
Total capital assets	560,138	513,317
Restricted		
Cash - Deschutes Rim Clinic Foundation	854,781	903,455
Total assets	1,477,092	1,455,161
LIABILITIES		
Current		
US Bank line of credit	-	33,866
Current portion of long-term debt	26,500	25,000
Total current liabilities	26,500	58,866
Long-term liabilities		
Balentine dental practice note	60,000	78,000
Flex Lease 2009F Series	30,000	40,000
Total long-term liabilities	90,000	118,000
Total liabilities	116,500	176,866
NET POSITION		
Net investment in capital assets	503,638	448,317
Restricted	854,781	903,455
Unrestricted	2,173	(73,477)
Total net position	$ 1,360,592	$ 1,278,295

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

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Modified Cash Basis
For the Year Ended
June 30, 2020
(With Comparative Totals for 2019)

	June 30, 2020	June 30, 2019
Operating revenues		
Medical receipts	$ 237,599	$ 211,495
Miscellaneous revenue	65,291	57,862
Total operating revenues	302,890	269,357
Operating expenses		
Personal services	367,506	271,133
Materials and services	156,146	159,263
Depreciation	22,551	20,032
Total operating expenses	546,203	450,428
Loss before nonoperating revenues (expenses)	(243,313)	(181,071)
Nonoperating revenues (expenses)		
Taxes	251,613	90,314
Rent income	-	45,492
Grant income	75,627	103,891
Interest earned	889	3,158
Interest expense	(2,519)	(3,046)
Total nonoperating revenues (expenses)	325,610	239,809
Change in net position	82,297	58,738
Net position at beginning of year	1,278,295	819,236
Prior period adjustment	-	400,321
Net position at end of year	$ 1,360,592	$ 1,278,295

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

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
STATEMENT OF CASH FLOWS
Modified Cash Basis
For the Year Ended
June 30, 2020
(With Comparative Totals for 2019)

	June 30, 2020	June 30, 2019
Cash flows from operating activities		
Cash received from customers	$ 237,599	$ 211,495
Other operating income	65,291	57,862
Cash paid to employees	(367,506)	(271,133)
Cash paid to suppliers	(156,146)	(159,263)
Net cash from operating activities	(220,762)	(161,039)
Cash flows used by capital activities		
Purchase of capital assets	(69,372)	(236,107)
Net cash used by capital activities	(69,372)	(236,107)
Cash flows from nonoperating activities		
Property tax revenues	251,613	90,314
Rent income	-	45,492
Grant proceeds	75,627	103,891
Interest paid	(2,519)	(3,046)
Loan proceeds	-	39,481
Principal debt payments	(60,366)	22,071
Net cash from nonoperating activities	264,355	298,203
Cash flows from investing activities		
Prior period adjustment	-	400,321
Interest on investments	889	3,158
Net cash from investing activities	889	403,479
Net change in cash	(24,890)	304,536
Cash, beginning of year	941,844	637,308
Cash, end of year	$ 916,954	$ 941,844
Reconciliation of loss before nonoperating activities to net cash from operating activities		
Net operating loss	$ (243,313)	$ (181,071)
Adjustments to reconcile deficiency of revenue over expenses to net cash from operating activities		
Depreciation	22,551	20,032
Total adjustments	22,551	20,032
Net cash from operating activities	$ (220,762)	$ (161,039)

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

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

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 district's annual financial report includes the accounts of all district operations. As discussed in Note 1 – Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

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.

Effective for the year ended June 30, 2017, Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units* adds an additional criterion which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Deschutes Rim Clinic Foundation (the foundation) engages in the solicitation and administration of donations primarily for the benefit of the district. The foundation is deemed to be a component unit of the district, as defined in GASB 80. The financial statements of the district include all the financial activity of the foundation and eliminates foundation contributions to/from 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.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about the district. These statements include all the financial activities of the district. Activities are financed primarily through property taxes and medical services fee.

Net position is reported as restricted when constraints placed on net position use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

The district reports the following major funds:

General Fund – The General Fund is the primary operating fund of the district. It accounts for all financial resources of the district.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus
In the government-wide Statement of Net Position and the Statement of Activities, the business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating

income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

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

If the district utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the district as assets with initial, individual costs in excess of $1,000 and estimated useful lives in excess of one year.

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

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.

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 18 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. Revenue Recognition - Property Taxes

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 are recognized when they are collected.

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 recognized as an outflow of resources (expenditure/expense) until then. The district has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has no items that qualify for reporting in this category.

H. Cash and Cash Items

The district's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from

the date of acquisition. All short-term cash surpluses are maintained in a savings account at the Oregon State Treasury Local Government Investment Pool.

Oregon statute and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any district in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds.

I. Use of Estimates

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

J. Prior Period Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Note 2. Deposits and Investments

At June 30, 2020 the carrying amount of the district's deposits was $891,345 and the bank balance was $891,043. The district maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insured institutions. The insurance and collateral requirements for deposits are established by banking regulations, federal regulations, and Oregon law. FDIC and NCUA insurance of $250,000 applies to the deposits in each depository. 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 Oregon Public Funds Collateralization Program (PFCP) web site. Oregon Revised Statute Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110 percent of the greater of:

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

As of June 30, 2020 the district had $25,611 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.

Total deposits and investments are included in the district's statement of net position as follows:

	2020
Unrestricted cash and investments	$ 62,173
Restricted cash and equivalents	854,781
Total	$ 916,954
Unrestricted cash	$ 36,562
Unrestricted investments	25,611
Total unrestricted cash and investments	62,173
Restricted cash and equivalents	854,781
Total	$ 916,954

Note 3. Capital Assets

The following is a summary of changes in capital assets:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets				
Construction in progress	$ 271,530	$ 54,193	$ -	$ 325,723
Buildings and improvements	436,034	-	-	436,034
Equipment	100,535	15,179	-	115,714
Total capital assets	808,099	69,372	0	877,471
Accumulated depreciation				
Buildings and improvements	(288,120)	(21,338)	-	(309,458)
Equipment	(6,662)	(1,213)	-	(7,875)
Total accumulated depreciation	(294,782)	(22,551)	0	(317,333)
Total capital assets, net	$ 513,317	$ 46,821	$ 0	$ 560,138

Note 4. Changes in Long-Term Debt

The following represents changes in long-term liabilities:

	Balance July 01, 2019	Issued/ Matured	Retired/Paid	Balance June 30, 2020	Due within one year
Balentine Loan	$ -	$ 93,000	$ 16,500	$ 76,500	$ 16,500
Flex Lease Series 2009F	50,000	-	10,000	40,000	10,000
Total long-term debt	$ 50,000	$ 93,000	$ 26,500	$ 116,500	$ 26,500

Interest expense of $2,925 on long-term debt has been included on the Statement of Revenues, Expenses, and Changes in Net Position. Authorization for general long-term debt is specific to a particular purpose; thus an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the programs for which borrowing is related.

Note 5. Balentine Loan

The district entered into a loan agreement with E. Lee Balentine, DMD on September 1, 2018 for the purchase of a dental practice. Terms of the loan included monthly payments including 0.0% interest through November 1, 2024. As of June 30, 2020, future payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2021	$ 16,500	$ -	$ 16,500
2022	18,000	-	18,000
2023	18,000	-	18,000
2024	18,000	-	18,000
2025	6,000	-	6,000
Total	$ 76,500	$ 0	$ 76,500

Note 6. Flex Lease Series 2009F

The district issued serial coupon bonds June 23, 2009 for building construction. The bonds were issued through US National Bank Association for $155,000. Terms of the bonds included annual payments including 2.0% to 5.4 % interest through January 1, 2024. As of June 30, 2020, future payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2021	$ 10,000	$ 1,890	$ 11,890
2022	10,000	1,620	11,620
2023	15,000	1,080	16,080
2024	5,000	270	5,270
Total	$ 40,000	$ 4,860	$ 44,860

Note 7. Short-term Debt

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, 2019	Issued/ Matured	Retired/Paid	Balance June 30, 2020
$ 33,866	$ 9,089	$ 42,955	$ -
$ 33,866	$ 9,089	$ 42,955	$ 0

Note 8. 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 insurance. The district does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not exceeded commercial coverage in any of the past three years.

Note 9. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the district. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although district management expects such amounts, if any, to be immaterial.

SUPPLEMENTARY SCHEDULES

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Modified Cash Basis
For the year ended
June 30, 2020

	Actual	Budget Original	Budget Final	(Over) Under Budget
Operating revenues				
Medical receipts	$ 237,599	$ 350,000	$ 350,000	$ 112,401
Miscellaneous revenue	65,291	-	-	(65,291)
Total operating revenue	302,890	350,000	350,000	47,110
Operating expenses				
General expenses				
Personal services	367,506	386,784	386,784	19,278
Materials and services	171,325	224,592	224,592	53,267
Capital outlay	54,192	-	-	(54,192)
Total general expenses	593,023	611,376	611,376	18,353
Debt service	29,018	13,216	13,216	(15,802)
Contingency	-	21,108	21,108	21,108
Total operating expenses	622,041	645,700	645,700	23,659
Operating loss	(319,151)	(295,700)	(295,700)	23,451
Nonoperating revenues				
Property taxes	251,613	258,500	258,500	6,887
Grants	75,627	-	-	(75,627)
Interest	887	1,200	1,200	313
Total nonoperating revenues	328,127	259,700	259,700	(68,427)
Net change in fund balance	8,976	(36,000)	(36,000)	(44,976)
Fund balance at beginning of year	907,978	36,000	36,000	(871,978)
Fund balance at end of year	$ 916,954	$ 0	$ 0	$ (916,954)

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
RECONCILIATION OF BUDGET BASIS FUND STATEMENT
TO ACCRUAL BASIS STATEMENTS
GENERAL FUND
Modified Cash Basis
For the year ended
June 30, 2020

	June 30, 2020	June 30, 2019
Reconciliation of beginning fund balance to beginning net position		
Beginning fund balance - budget basis	$ 907,978	$ 57,395
Add capital assets	808,099	479,063
Less accumulated depreciation on capital assets	(294,782)	(256,579)
Balentine dental practice note payable	(93,000)	-
Less FlexLease contracts payable	(50,000)	(80,000)
Beginning net position	1,278,295	199,879
Reconciliation of change in fund balance to change in net position		
Change in fund balance - budget basis	8,976	-
Add capital assets purchased	69,373	-
Less depreciation expense on capital assets	(22,552)	92,929
Balentine dental practice note receipt	16,500	-
FlexLease principal payments	10,000	-
Change in net position	82,297	619,357
Reconciliation of ending fund balance to ending net position		
Ending fund balance - budget basis	916,954	581,994
Add capital assets	877,472	571,992
Less accumulated depreciation on capital assets	(317,334)	(274,750)
Balentine dental practice note payable	(76,500)	-
Less FlexLease contracts payable	(40,000)	(60,000)
Ending net position	$ 1,360,592	$ 819,236

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

Solutions
Certified Public Accountants, PC

Mitch T. Saul, CPA
Amy K. Walker, CPA
Anna K. Bass

Robert M. Armstrong, CPA

REPORT REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
White River Health District
Maupin, Wasco County, 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 basic financial statements of the White River Health District (the district) as of and for the year ended June 30, 2020, and have issued our report thereon dated January 26, 2021.

COMPLIANCE

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (House Bill 2520).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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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* with the following exceptions:

- The district failed to file the annual report with the Oregon State Treasury regarding deposits of public funds.
- The district did not provide evidence that the advertisement for the budget committee meeting was published as required.

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 January 26, 2021, 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.

Amy K. Walker

For Solutions, CPAs
John Day, Oregon
January 26, 2021

Oregon Secretary of State – Audits Division

Summary of Revenues and Expenditures

Please refer to instructions on next page.

A. Municipal corporation information

Municipality name: WHITE RIVER HEALTH DISTRICT

Address line 1: PO BOX 266

Address line 2:

City, state, ZIP: MAUPIN OR 97037

Check if new address: ☐

If this is the final report, please enter the last date of operations:

Reporting period: From 07/01/2019 To 06/30/2020

Report type: Audit

Opinion issued: Unmodified

Basis of accounting: Modified cash

B. Financial statement audit – Reported deficiencies

1. Regarding internal controls over financial reporting, how many significant deficiencies and material weaknesses were reported? 2
2. Of those control deficiencies reported, how many resulted in the following:
   Accounting errors/Misstatements: 0
   Noncompliance: 0

3. How were deficiencies communicated? Check all that apply.
   - ☒ Report issued in accordance with Government Auditing Standards
   - ☐ Communication in accordance with Statements on Auditing Standards AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit"
   - ☐ Other (specify communication):
   - ☐ No deficiencies

Per OAR 162-010-0230, a copy must be filed with Secretary of State.

C. Summary of revenues and expenditures

Revenues and/or receipts		Expenditures and/or disbursements	
a. Revenues from government-wide statement of activities:	$ 631,019	a. Expenditures from government-wide statement of activities:	$ 548,722
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
c. Gross revenues subtotal (a + b):	$ 631,019	**c. Gross expenditures subtotal (a + b):**	$ 548,722
d. Revenues of component units:	$ 42,723	d. Component unit expenditures reported with primary government:	$ 55,287
e. Taxes, assessments and other collections to be distributed to other governments:		e. Turnovers to other municipal corporations:	
f. Exempt revenue subtotal (d + e):	$ 42,723	**f. Exempt expenditures subtotal (d + e):**	$ 55,287
g. Net revenues (c – f):	$ 588,296	**g. Net expenditures (c – f):**	$ 493,435

D. Filing fee: $ 150

E. Submitted by

Auditor name: Amy K. Walker, CPA

Municipal license number: 1604

Firm name: Solutions, CPAs PC

Date: 01/26/2021

Municipal contact name, title: Nina Marvin, Clinic Manager

Municipal phone: (541) 395-2911

Within 30 days of delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Audits Division, and one copy must be delivered to the municipal corporation. If deficiencies are communicated in a separate letter or in a report issued in accordance with *Government Auditing Standards*, a copy of that communication must also be filed. (OAR 162-010-0230)

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Solutions
Certified Public Accountants, PC

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*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
White River Health District
Maupin, 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 the business-type activities and each major fund of White River Health District (the district), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the district's basic financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control Over Financial Reporting

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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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 2020-002 to be a material weakness.

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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 2020-001 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.

Amy K. Walker

For Solutions, CPAs
John Day, Oregon
January 26, 2021

SCHEDULE OF FINDINGS AND RESPONSES

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

SIGNIFICANT DEFICIENCIES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2020-001

Segregation of Duties

Criteria: Custody, recording, and authorization functions should be segregated among different personnel over each significant transaction cycle when possible to provide adequate internal control for the prevention, detection, and correction of error or fraud.

Condition: Our evaluation of the district's internal control structure disclosed that the district does not have adequate segregation of duties. Accounting duties for main transaction cycles are concentrated on one individual which result in incompatible functions to provide proper segregation of duties.

Cause: The number of district employees has been limited due to the size and financial resources of the district.

Effect: Without separation of critical duties, accounting errors or fraud may not be prevented, detected, or corrected in a timely manner.

Recommendations: We acknowledge that a complete separation of duties (such as treasury functions from accounting functions) is not possible due to staffing limitations. We recommend, however, that management review accounting positions and functions to identify specific duties that could be separated among the available personnel to achieve the strongest control possible under the circumstances.

In order to achieve adequate segregation of duties the internal control structure will need to be distributed among all available employees and directors. Those whose duties have traditionally been limited to oversight duties will need to be involved at some level with the treasury or accounting function.

An example of this type of segregation would be for the monthly bank statement to be received unopened and reconciled by someone not involved in approving invoices, preparing checks, entering transactions, signing checks, and mailing the payments.

With some thought and creativity we are confident that you will be able to identify specific areas where segregation should occur and the steps necessary to achieve this segregation. We are available to assist you in this process through analysis and training where needed.

Responsible Official's Response: Management understands the importance of segregation of duties and the need to address these matters 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 in order to provide additional segregation of duties does not justify the cost. We will however review our processes and attempt to identify ways to involve other employees and directors in order to improve our segregation.

WHITE RIVER HEALTH DISTRICT
Maupin, Wasco County, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2020-002

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.