

NORTH LINCOLN HEALTH DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2022

(See Independent Auditor's Report)

**NORTH LINCOLN HEALTH DISTRICT
DISTRICT OFFICIALS
For the Year Ended June 30, 2022**

		<u>Term Expires</u>
CHAIR	Terry Buggenhagen PO Box 658 Lincoln, OR 97367	June 30, 2023
VICE CHAIR	David L. Hess PO Box 658 Lincoln, OR 97367	June 30, 2025
DIRECTOR	Senator Dick Anderson PO Box 658 Lincoln, OR 97367	June 30, 2023
DIRECTOR	Betty Ruth Gamester PO Box 658 Lincoln, OR 97367	June 30, 2023
DIRECTOR	Kitty Bushman PO Box 658 Lincoln, OR 97367	June 30, 2023
SECRETARY- TREASURER	Peter Mann PO Box 658 Lincoln, OR 97367	June 30, 2025
DIRECTOR	Dr. Estle Harlan PO Box 658 Lincoln, OR 97367	June 30, 2025

REGISTERED AGENT

Amy Marsh

REGISTERED OFFICE

PO Box 658
Lincoln City, OR 97367

NORTH LINCOLN HEALTH DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Lincoln Health District
Lincoln City, Oregon

Opinion

We have audited the accompanying financial statements of the business-type activities and the major fund of the of the North Lincoln Health District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the North Lincoln Health District, as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 twelve 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of defined benefit plan net assets and liabilities on pages 4 -6 and 18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis and the required supplementary schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary 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 supplementary schedules on pages 19 to 22 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 12, 2022, on our consideration of the North Lincoln Health District's compliance with certain provisions of laws and regulation, 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.

Bernards, CPA
McMinnville, OR 97128
November 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH LINCOLN HEALTH DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2022

The discussion and analysis of North Lincoln Health District offers readers a narrative overview of financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the accompanying financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- Net Assets of the District exceeded liabilities at the close of the fiscal year by \$711,448. All of this may be used to meet ongoing obligations of the District. In comparison, at the close of the previous year the District's assets also exceeded its assets by \$2,545,921, an overall decrease in net position of \$1,834,473.
- Net position decreased \$1,834,473 during the fiscal year ended June 30, 2022 which was largely due to the current year change in net pension liability/asset and deferred outflow of resources mentioned below.
- The District had an operating loss of \$1,429,279 for the year ended June 30, 2022, which was partially covered by non-operating revenue from property taxes, donations and interest income in the amount of \$1,711,492, which by itself increased the District's net position by \$282,213. The remaining non-operating expense of \$2,116,686 decreased the District's net position by \$1,834,473, which when offset by the prior year balance of \$2,545,921 resulted in a current year final net position amount of \$711,448.
- In 2020-21 the District's pension plan investments had tremendous growth which enabled the Plan to become fully funded from a net pension liability of \$1,058,135 to a net pension asset of \$314,689, a difference of \$1,372,824. In 2021-22 the District's pension plan investments decreased significantly. The District's pension plan flipped back to being less than fully funded at an 89% funding rate. Net pension liabilities were greater than assets again, with a net pension liability of \$472,863. This is a net decrease of \$787,552 from the previous year's funding that included a \$314,689 net pension asset. The net change in pension assets included a \$519,134 decrease in the deferred outflow of resources, a decrease in the net pension asset of \$314,689 and the aforementioned \$472,863 pension liability for a total decrease of \$1,306,686, compared to a prior year increase of \$2,492,325.
- The District's budgetary basis resources were \$626,915 more than budgeted, and its disbursements were \$503,436 less than anticipated in the budget due to the District's conservative budgeting practices.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Revenues, Expenses and Change in Net Position and the Statement of Net Position provide government-wide information for the District. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting methodology used by private sector entities. Current year revenues and expenses are taken into account regardless of when cash is received or paid.

NORTH LINCOLN HEALTH DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2022

The Statement of Revenues, Expenses and Change in Net Asset Position and Statement of Net Position report District wide net assets and changes from the prior year. Net position is the difference between assets and liabilities and represents a measurement of financial health. Over time, increases or decreases in net position indicate whether financial health is improving or deteriorating.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position of the District decreased from the prior year. The decrease was due to significant nonoperating expenses over operating revenue in the Statement of Revenues, Expenses and Change in Net Position.

Statement of Net Position

A condensed version of the Statements of Net Position for fiscal years ended June 30, 2022 and 2021 follows:

ASSETS	2022	2021
Current assets	\$1,198,846	\$1,706,847
Other non-current assets	<u>-</u>	<u>314,689</u>
Total Assets	<u>1,198,846</u>	<u>2,021,536</u>
DEFERRED OUTFLOW OF RESOURCES	<u>53,212</u>	<u>572,346</u>
Total Assets and Deferred Outflow of Resources	<u>1,252,058</u>	<u>2,593,882</u>
LIABILITIES		
Current liabilities	67,747	47,961
Noncurrent liabilities	<u>472,863</u>	<u>-</u>
Total Liabilities	540,610	47,961
NET POSITION		
Unrestricted	<u>711,448</u>	<u>2,545,921</u>
Total Net Position	<u>\$ 1,252,058</u>	<u>\$2,545,921</u>

Assets and deferred outflow of resources decreased by \$1,341,924. Liabilities increased by \$492,649. The decrease of \$1,834,473 represents the change in net position discussed in the financial highlights section.

NORTH LINCOLN HEALTH DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2022

Statements of Revenues, Expenses, and Change in Net Position

A condensed version of the Statements of Revenues and Expenses and Change in Net Position for the years ended June 30, 2022 and 2021 follows:

Statements of Revenues, Expenses, and Change in Net Position

	2022	2021
Expenses		
Materials and services	<u>\$1,429,279</u>	<u>\$ 1,373,185</u>
Total Operating Expenses	1,429,279	1,373,185
Operating loss	(1,429,279)	(1,373,185)
Non-operating revenues (expenses)	<u>(405,194)</u>	<u>4,075,314</u>
Change in net position	(1,834,473)	2,702,129
Net position – beginning of year	<u>2,545,921</u>	<u>(156,208)</u>
Net position – end of year	<u>\$ 711,448</u>	<u>\$2,545,921</u>

Economic Factors

The District expects revenues and expenses to remain consistent due to the updated contract with Samaritan Health Services Inc. for the new hospital, although the pension accrual has changed these expectations slightly. It also allows the District to more closely monitor the pension costs currently and for the future.

Financial Contact

The District's financial statements are designed to present users (citizens and taxpayers) with a general overview of the District's finances and to demonstrate the District's accountability. Anyone with questions should contact the District's Treasurer at PO Box 658, Lincoln City, OR 97367.

BASIC FINANCIAL STATEMENTS

NORTH LINCOLN HEALTH DISTRICT
Statement of Net Position
June 30, 2022

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

Current Assets

Cash and cash equivalents	\$ 1,130,351
Property taxes receivable	<u>68,495</u>

Total Assets 1,198,846

DEFERRED OUTFLOW OF RESOURCES

Defined benefit pension plan	<u>53,212</u>
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Total Assets and Deferred Outflow of Resources \$ 1,252,058

LIABILITIES

Current Liabilities

Accounts payable	\$ 67,747
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Net Pension Liability 472,863

Total Liabilities 540,610

NET POSITION

Unrestricted	<u>711,448</u>
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Total Liabilities and Net Position \$ 1,252,058

See accompanying notes and independent auditor's report

NORTH LINCOLN HEALTH DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2022

Operating Expenses		
Purchased services		\$ 1,429,279
		<u>1,429,279</u>
Total Operating Expenses		<u>1,429,279</u>
Operating (Loss)		<u>(1,429,279)</u>
Non Operating Revenues (Expenses)		
Interest		8,039
Donations		15,000
Property taxes		1,688,453
Equipment grant		(810,000)
Change in net pension liability/asset and net deferred outflows		<u>(1,306,686)</u>
Total Non Operating Revenues (Expenses)		<u>(405,194)</u>
Change in net position		(1,834,473)
Net position - beginning of year		<u>2,545,921</u>
Net position - end of year		<u><u>\$ 711,448</u></u>

See accompanying notes and independent auditor's report

NORTH LINCOLN HEALTH DISTRICT
Statement of Cash Flows
Year Ended June 30, 2022

Cash flow from operating activities

Paid to suppliers for good and services \$ (1,409,493)

Cash flow from non-capital financing activities

Property taxes received from taxpayers 1,708,421

Donations 15,000

Equipment grant (810,000)

Total cash flow from non-capital financing activities 913,421

Cash flow from investing activities

Interest 8,039

Net change in cash (488,033)

Cash at beginning of year 1,618,384

Cash at end of year \$ 1,130,351

Reconciliation to Statement of Net Position

Current assets - cash \$ 1,130,351

Cash at end of year \$ 1,130,351

See accompanying notes and independent auditor's report

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

North Lincoln Health District (District) is a political subdivision and municipal corporation of the State of Oregon, formed and governed under the provisions of Oregon Revised Statutes (ORS) 440.305 through 440.410 inclusive. It was created on April 14, 1965 by the electors to respond to the health care needs of the citizens of Lincoln City, Oregon, and others in the Central Oregon Coastal area by assuring physical and financial maintenance of health care facilities owned by the District. The District is governed by a Board of Directors consisting of seven independently elected members. Board members are not compensated for their services.

The accompanying financial statements present all funds and component units for which the District is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criterion, the District is a primary government with no includable component units.

As of February 3, 2016, the District entered into an agreement with Samaritan Health Services (SHS) in which a new Critical Access Hospital will be built to replace the existing North Lincoln Hospital. The agreement states that 80 percent of the District's property tax revenue will be paid to SHS for a ten-year period. After the initial ten years, the level of property tax revenue conveyed to SHS will be based on profitability of SHS.

The financial statements do not include the accounts of the Foundation, which was established to engage in and conduct charitable and educational activities and to raise funds in support of the district. The Foundation is a nonprofit corporation and a tax-exempt organization under the provisions of the Internal Revenue Code. Complete financial statements for the Foundation may be obtained at the Foundation's office: North Lincoln Hospital Foundation, P.O. Box 767, Lincoln City, Oregon 97367.

The basic financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes, in the basic financial statements, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies – continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District reports all financial transactions in a single proprietary fund.

Net Pension Asset

During the year the District's change in net pension liability/asset and net deferred outflow of resources was recorded as \$(1,306,686); its net pension liability was \$472,863; and the net difference between its deferred inflows and outflows of resources was a \$53,212 net deferred outflow of resources.

Budget Policies and Budgetary Control

As a District organized under ORS 440.305 through 440.410, the District is exempt from the requirements of the Oregon Local Budget Law in ORS 294.305 through 294.365. Its budget requirements are set forth in ORS 440.403.

The District begins its budgeting process by management developing budget recommendations through late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Directors adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted. The cash basis of accounting is used for all budgets.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The District established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds. All annual appropriations lapse at fiscal year-end.

Budget amounts shown in the general purpose financial statements include all revisions (if any) since adoption of the original budget amounts. The Board of Directors must authorize all appropriation transfers and supplementary budgetary appropriations.

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents - For purposes of reporting cash flow, cash and cash equivalents include cash on hand, checking, savings and money market accounts, the Local Government Investment Pool (LGIP), and any highly-liquid debt instruments purchased with a maturity of three months or less.

Specific Elements of Financial Statements

Deferred Outflow of Resources, and Deferred Inflow of Resources – A deferred outflow of resources represents the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources represents the acquisition of net position that is applicable to a future reporting period. As of June 30, 2022, all of the District’s deferred outflows and inflows of resources relate to the District’s defined benefit pension plan.

Net Position - The financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

In the government-wide and proprietary fund financial statements, when the District has restricted and unrestricted resources available, it is the District’s policy to expend restricted resources first and then unrestricted resources as needed in determining the amounts to report as restricted – net position and unrestricted – net position.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Subsequent Events – Subsequent events through November 12, 2022 have been evaluated by management for disclosure in the financial statements. This is the date when the financial statements were available for issuance.

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 2 – Cash and Investments

The District maintains a pool of cash and investments that are available for use by the General Fund.

Investments, including amounts held in pooled cash and investments are stated at fair value. Investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State’s short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon short-term fund board, and LGIP investments are approved by the Oregon Investment Council. The fair value of the District’s position in the LGIP is the same as the value of the pool shares.

Credit risk: Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and the U. S. agencies, bankers’ acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial paper Record, and the state treasurer’s investment pool.

As of June 30, 2022, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer’s Investment Pool	N/A	<u>\$ 1,104,180</u>

Interest Rate Risk: The District’s investment policy does not limit investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The District’s investment policy does not limit the amount that may be invested in any one insurer. All of the District’s investments are in the State Treasurer’s Investment Pool.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. None of the District’s investments have custodial credit risk. The District’s investment policy does not limit the amount of investments that can be held by counterparties.

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 2 – Cash and Investments - continued

Custodial Credit Risk – Cash: This is the risk that in the event of a bank failure, the District’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District’s deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest-bearing accounts at each institution. As of June 30, 2022, none of the District’s bank balances were exposed to custodial credit risk.

Total investments	\$1,104,180
Cash with financial institutions	15,756
Cash with county treasurer	<u>10,414</u>
Total deposits and investments	<u>\$1,130,351</u>

As presented on Statement of Net Position:

Current assets	
Cash and cash equivalents	<u>\$1,130,351</u>

Note 3 – Liquidity and Availability of Resources

Following is a description of the District’s financial assets available to meet the needs of general expenditures within one year of the date of the Statement of Net Position:

Total cash and cash equivalents – all unrestricted	\$1,130,351
Property taxes receivable	<u>68,495</u>
Total	1,198,846
Less current liabilities	<u>(67,747)</u>
Financial assets available for general expenditures over the next 12 months	<u>\$1,130,099</u>

Note 4 – Property Taxes Receivable

Collection procedures - Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Lincoln County bills and collects property taxes for the District.

Ensuing year’s levy - The permanent tax rate is \$0.5184 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

Note 5 – Pension Plan

Prior to fiscal year 2018-19 the District disclosed the excess actuarial accrued liability over the actuarial value of assets as a contingent liability. In fiscal year 2018-19 the District’s governing body and management deemed the amount measurable. Due to significant investment losses in the year ended June 30, 2022, the Plan recorded a change in net pension liability/asset and net deferred outflow of resources of \$(1,306,686). Such amount is classified in non-operating expenses in the accompanying statement of revenue, expenses, and changes in net position.

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 5 – Pension Plan - continued

Plan description - The District sponsored a defined benefit pension plan for the employees of North Lincoln (Health District) (the “Plan”), a single-employer plan administered by Columbia Trust Company for which the Board provides oversight. The plan covered virtually all full-time employees. It was the responsibility of the Board to function as an investment and administrative agent for the District with respect to the pension plan.

The Plan was amended and restated effective July 1, 2015 to comply with all applicable statutes. The District no longer has employees accruing benefits under the Plan. Benefits are payable either in the form of a straight life annuity or an actuarially equivalent straight life annuity. The benefit formula is calculated as a percentage of the participant’s final average earnings based on the dates and years of service. All participants in the Plan are eligible for normal retirement benefits at age 65. A participant may retire after age 55 if they have ten years of service or after age 60 if they have five years of service and receive reduced benefits. The Plan’s assets are held in trust, independent of the District, but solely for the purpose of paying the Plan’s benefits and administrative expenses. The Plan does not issue a separate stand-alone financial report.

Funding policy - For 2021-22, the District made no pension contributions because there were no employees in active service.

The District’s net pension liability/asset (NPL/NPA) is actuarially measured every two years, generally. However, the District has chosen to have studies every year for the past two years. The most recent measure was as of June 30, 2022 and was determined using actuarial methods and techniques that are consistent with common actuarial practice. The actuarial value of assets was determined using the market value of investments.

Significant actuarial assumptions used include the following:

1. Rate of return on the investment of 5.5%
2. Assume all future retirees retire at normal retirement age
3. Mortality using the recent IRS Optional Combined Tables, both male and female, which is the same assumption used in prior years.
4. 100% of non-retired participants will be located and receive their benefit beginning at normal retirement age
5. All other aspects of the pension liability and net position calculations relate to service cost, of which the District has none, because all participants are former employees no longer providing service.

The target asset allocation of the Plan’s assets as of June 30, 2022 is as follows:

Asset category	
Equities	75.43%
Fixed Income	17.68%
Cash and Equivalents	4.35%
Alternative	<u>2.54%</u>
Total	<u>100.0%</u>

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 5 – Pension Plan - continued

The discount rate used to measure the total pension liability was 5.5%. The actuarial valuation also calculated the total pension liability using the 7.08% discount rate, but the District presents the 5.5% rate due to its achievability and conservative nature.

Changes in the District’s NPA/NPL as of June 30, 2022 are as follows:

	Total Pension Liability <u>(a)</u>	Defined Benefit Plan Fiduciary Net Position <u>(b)</u>	(NPL)/NPA <u>(a) – (b)</u>
Balance as of May 1, 2021	\$4,350,731	\$4,665,420	\$ 314,689
Differences between expected and actual experience	112,093	-	(112,093)
Investment income	-	(675,459)	(675,459)
Benefit payments	<u>(340,114)</u>	<u>(340,114)</u>	<u>-</u>
Net changes	<u>(228,021)</u>	<u>(1,015,573)</u>	<u>(787,552)</u>
Balance as of June 30, 2022	<u>\$4,122,710</u>	<u>\$3,649,847</u>	<u>\$ (472,863)</u>

The following presents the District’s NPL as of June 30, 2022, calculated using the discount rate of 5.5%. No data was available to present a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Current rate
	<u>5.5%</u>
Net pension liability	<u>\$472,863</u>

As of June 30, 2022, the District recorded deferred outflows of resources and deferred inflows of resources related to the Defined Benefit Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Plan assets	<u>\$1,374,596</u>	<u>\$(1,321,384)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources as of June 30, 2022 will be recognized in future pension expense as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources-Net</u>
2022	\$315,714
2023	2,071
2024	(139,298)
2025	(143,257)
2026	886,315
2027	<u>(868,333)</u>
Total deferred outflows (inflows) of resources-net	<u>\$ 53,212</u>

NORTH LINCOLN HEALTH DISTRICT
Notes to Financial Statements
June 30, 2022

Note 6 – Commitments and Contingencies

Compliance with laws and regulations - The District is subject to many complex federal, state and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. The District has implemented a voluntary corporate compliance program which includes guidance for all District employees' adherence to applicable laws and regulations. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the District's future financial position or results or operations. Since January 1, 2001, when the District relinquished providing health care services to Samaritan Health Services, Inc., the District is no longer subject to such laws and regulations. The District also has not had any employees since that date.

Risk management - The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note 7 – Subsequent Event – Grant to Samaritan Treatment and Recovery Services (STARS)

The Pacific Communities Health District (Newport) and the North Lincoln Health District have been conscious of a growing need in Lincoln County for a residential treatment facility for substance use disorder. An opportunity to procure a former assisted living facility has been acted on by Pacific Communities Health District. The design and construction to convert the facility to a suitable facility is being developed by Samaritan Health Services under the project cover of STARS. North Lincoln Health District will contribute \$1,000,000 over a three-year period towards the project beginning in the 2022-23 fiscal year.

Note 8 – Impact of COVID-19 Pandemic

Starting in winter/spring of 2020 with the onset of the Covid-19 Pandemic across the United States, the North Lincoln Health District began and continues meeting virtually instead of in-person to minimize Board members' exposure to the effects of the virus. The Board also invites regular guests to participate virtually and prepare reports and presentations ahead of scheduled meeting times. The District's office is still not back to regular use, the necessary equipment and material are still being provided to the contracted administrative persons to enable them to continue to conduct business from a home environment. There is a minimal cost increase with virtual meetings. The North Lincoln Hospital retirement investment fund has experienced a significant downturn in its investment value in the current year, which decreased the prior year 100% funded status to an 89% funded status for the current year. The actuaries recommended the investment advisors reduce the risk of investments in the plan to hopefully sustain stability for many years to come.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH LINCOLN HEALTH DISTRICT
Schedule of Changes in Net Asset (Liability) and Related Ratios for the Defined Benefit Plan
For the Periods Ended June 30, 2022, 2021, 2020, 2019, and 2018

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018 & 2017</u>
TOTAL PENSION LIABILITY					
Differences between expected and actual experience	\$ 112,093	\$ (239,277)	\$ 374,526	\$ 273,827	\$ 320,430
Change of assumptions					
Benefit payments	<u>(340,114)</u>	<u>(371,311)</u>	<u>(374,526)</u>	<u>(365,968)</u>	<u>(729,881)</u>
Change in total pension liability - net	(228,021)	(610,588)	-	(92,141)	(409,451)
Total pension liability - beginning of year	<u>4,350,731</u>	<u>4,961,319</u>	<u>4,961,319</u>	<u>5,053,460</u>	<u>5,462,911</u>
Total pension liability - end of year (a)	<u>\$ 4,122,710</u>	<u>\$ 4,350,731</u>	<u>\$ 4,961,319</u>	<u>\$ 4,961,319</u>	<u>\$ 5,053,460</u>
DEFINED BENEFIT PLAN FIDUCIARY NET POSITION					
Investment income - net	(675,459)	\$ 1,133,547	\$ 67,029	\$ 33,023	\$ 366,530
Employer contributions				-	-
Benefit payments	<u>(340,114)</u>	<u>(371,311)</u>	<u>(374,526)</u>	<u>(365,968)</u>	<u>(729,881)</u>
Change in Defined Benefit Plan fiduciary net position-net	(1,015,573)	762,236	(307,496)	(332,945)	(363,351)
Defined Benefit Plan fiduciary net position - beginning of year	<u>4,665,420</u>	<u>3,903,184</u>	<u>4,210,680</u>	<u>4,543,626</u>	<u>4,906,977</u>
Defined Benefit Plan fiduciary net position - end of year (b)	<u>3,649,847</u>	<u>\$ 4,665,420</u>	<u>\$ 3,903,184</u>	<u>\$ 4,210,681</u>	<u>\$ 4,543,626</u>
NET PENSION ASSET (LIABILITY) END OF YEAR (b)-(a)					
	<u>\$ (472,863)</u>	<u>\$ 314,689</u>	<u>\$ (1,058,135)</u>	<u>\$ (750,638)</u>	<u>\$ (509,834)</u>
Defined Benefit Plan fiduciary net position as a percentage of the total pension liability	<u>89%</u>	<u>107%</u>	<u>78.67%</u>	<u>84.87%</u>	<u>89.91%</u>

See accompanying independent auditor's report

SUPPLEMENTARY INFORMATION

NORTH LINCOLN HEALTH DISTRICT
General Fund
Schedule of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budgetary Basis
Year ended June 30, 2022

	Budget - Original & <u>Final</u>	<u>Actual</u>	Variance - <u>(under)/over</u>
RECEIPTS			
Property taxes	\$ 1,470,000	\$ 1,619,958	\$ (149,958)
Donation	-	15,000	(15,000)
Interest	<u>5,000</u>	<u>8,039</u>	<u>(3,039)</u>
Total Receipts	<u>1,475,000</u>	<u>1,642,997</u>	<u>(167,997)</u>
DISBURSEMENTS			
Materials and services	2,726,000	1,412,564	1,313,436
Equipment Grant	-	810,000	(810,000)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Disbursements	<u>2,726,000</u>	<u>2,222,564</u>	<u>503,436</u>
Net change in fund balance	(1,251,000)	(579,567)	(671,433)
Fund balance, beginning of year	<u>1,251,000</u>	<u>1,709,918</u>	<u>(458,918)</u>
Fund balance, end of year	<u>\$ -</u>	1,130,351	<u>\$ (1,130,351)</u>

**Reconciliation of fund balance to generally
accepted accounting principles:**

Receivables (property taxes)	68,495
Deferred outflows of resources	53,212
Net pension liability	(472,863)
Accounts payable	<u>(67,747)</u>
Net position, end of year	<u>\$ 711,448</u>

See accompanying independent auditor's report

NORTH LINCOLN HEALTH DISTRICT
Comparative Schedules of Net Position
June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 1,130,351	\$ 1,618,384
Property taxes receivable	68,495	88,463
Accounts receivable	<u>-</u>	<u>-</u>
Total Current Assets	1,198,846	1,706,847
Noncurrent Assets		
Net pension asset	-	314,689
Assets limited as to use (CIRF) - cash and cash equivalents	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>314,689</u>
Total Assets	<u>1,198,846</u>	<u>2,021,536</u>
DEFERRED OUTFLOW OF RESOURCES		
Defined benefit pension plan	<u>53,212</u>	<u>572,346</u>
Total Assets and Deferred Outflow of Resources	<u>1,252,058</u>	<u>2,593,882</u>
LIABILITIES		
Current Liabilities		
Accounts payable	67,747	47,961
Net Pension Liability	<u>472,863</u>	<u>-</u>
Total Liabilities and Deferred Inflow of Resources	<u>540,610</u>	<u>47,961</u>
NET POSITION		
Restricted		
Capital improvement reserve fund (CIRF)	-	-
Unrestricted	<u>711,448</u>	<u>2,545,921</u>
Total Net Position	<u>\$ 711,448</u>	<u>\$ 2,545,921</u>

See accompanying notes and independent auditor's report

NORTH LINCOLN HEALTH DISTRICT
Comparative Schedules of Revenues, Expenses and Changes in Fund Net Position
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Expenses		
Purchased services	\$ 1,429,279	\$ 1,373,185
Benefits	-	-
	(1,429,279)	(1,373,185)
Operating (Loss)		
Non Operating Revenues (Expenses)		
Interest	8,039	12,845
Property taxes	1,688,453	1,570,144
Donations	15,000	-
Equipment Grant	(810,000)	-
Change in Net Pension Liability/Asset and Net Deferred Outflow of Resources	(1,306,686)	2,492,325
	(405,194)	4,075,314
Total Non Operating Revenues (Expenses)		
Increase (decrease) in net position	(1,834,473)	2,702,129
Net position - beginning of year	2,545,921	(156,208)
Net position - end of year	\$ 711,448	\$ 2,545,921

See accompanying notes and independent auditor's report

NORTH LINCOLN HEALTH DISTRICT
Comparative Schedules of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities		
Paid to suppliers for good and services	\$ (1,409,493)	\$ (1,382,017)
Total cash flow from operating activities	<u>(1,409,493)</u>	<u>(1,382,017)</u>
Cash flow from non-capital financing activities		
Property taxes received from taxpayers	1,708,421	1,584,705
Donations	15,000	-
Equipment grant	<u>(810,000)</u>	<u>-</u>
Total cash flow from non-capital financing activities	<u>913,421</u>	<u>1,584,705</u>
Cash flow from investing activities		
Interest	<u>8,039</u>	<u>12,845</u>
Net change in cash	(488,033)	215,533
Cash at beginning of year	<u>1,618,384</u>	<u>1,402,851</u>
Cash at end of year	<u>\$ 1,130,351</u>	<u>\$ 1,618,384</u>
Reconciliation to Statement of Net Position		
Current assets - cash	<u>\$ 1,130,351</u>	<u>\$ 1,618,384</u>

See accompanying notes and independent auditor's report



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Independent Auditor's Report Required by Oregon State Regulations

Board of Directors
North Lincoln Health District
Lincoln City, Oregon

We have audited the basic financial statements of the North Lincoln Health District as of and for the year ended June 30, 2022 and have issued our report thereon dated November 12, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the 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 (ORS Chapter 440).
- Insurance and fidelity bonds in force or required by law.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe 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 162-10-200 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, we considered the District's internal control over financial reporting as a basis for designing our audit 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.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS -
(Continued)**

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of North Lincoln Health District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Bernards, CPA
McMinnville, OR 97128
November 12, 2022