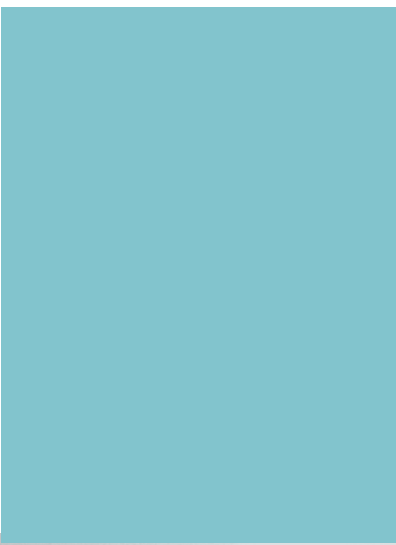




Sherman County Health District

Financial Statements and Supplementary Information
For the year ended June 2026



**SHERMAN COUNTY HEALTH DISTRICT
FOR THE YEAR ENDED JUNE 30, 2026
BOARD OF DIRECTORS**

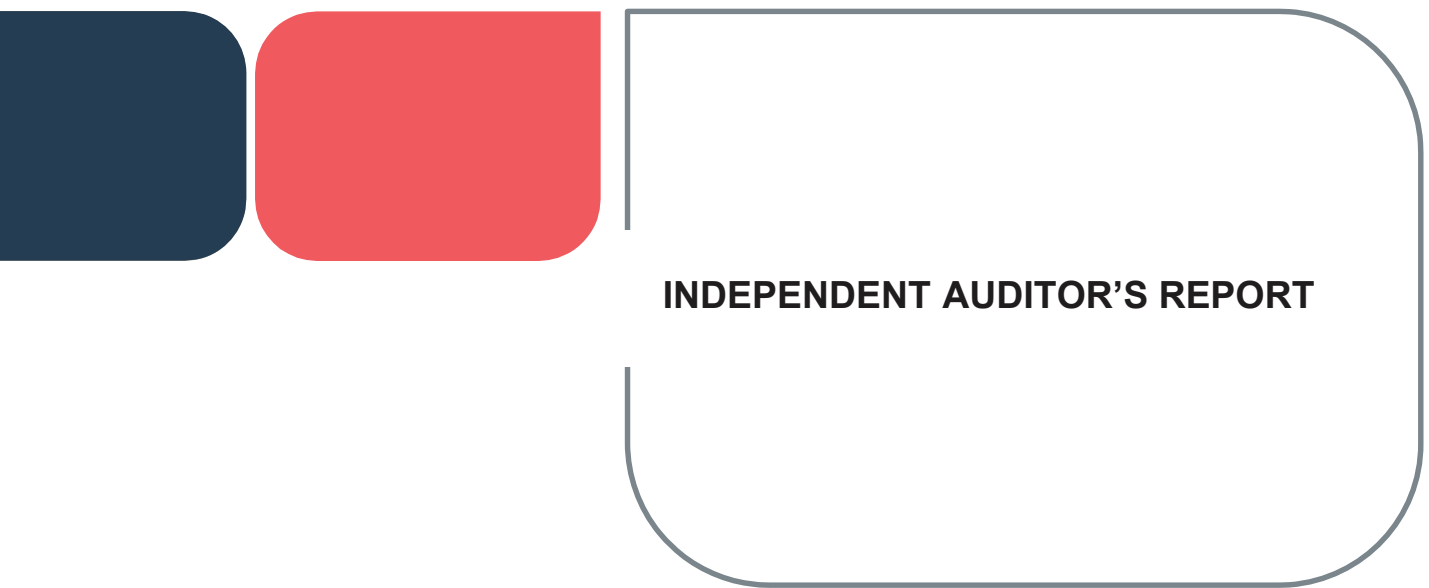
<u>MEMBERS</u>		<u>TERM EXPIRES</u>
Robert Perisho President	P.O. Box 411 Moro, OR 97039	6/30/29
Mike McArthur Vice-President	93350 Foss Lane Wasco, OR 97065	6/30/27
Janice Strand Director	P.O. Box 233 Rufus, OR 97050	6/30/29
Brittany Wood Director	P.O. Box 186 Moro, OR 97039	6/30/29
Linda Cornie Director	P.O. Box 96 Wasco, OR 97065	6/30/27
 <u>ADMINISTRATIVE STAFF</u>		
Caitlin Blagg	PO Box 186 Moro, OR 97039	District Administrator
 <u>ATTORNEY</u>		
Ruben D Cleaveland	VanKoten & Cleaveland LLC 417 Sherman Ave, Suite 7 Hood River, Oregon 97031	

Sherman County Health District
Moro, Oregon

YEAR ENDED JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sherman County Health District
Moro, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and major fund of Sherman County Health District, Oregon (the District), as of and for the year ended June 30, 2026, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and major fund of the District, as of June 30, 2026, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in *Note 1*.

Basis of Opinions

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in *Note 1*; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 GAAS, 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.

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 budgetary comparison information, as listed in the Table of Contents, are presented for the purposes of additional analysis and is not a required part of the basic financial statements.

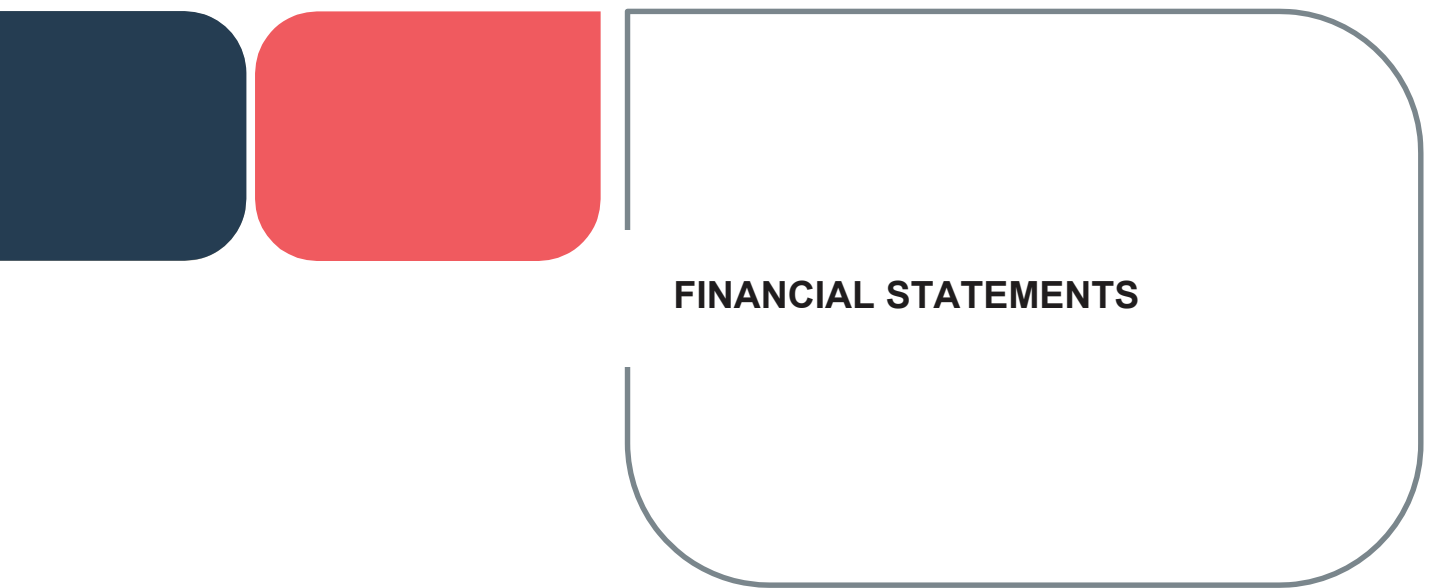
The budgetary comparison information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic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

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated September 3, 2026 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is solely to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

A handwritten signature in black ink, appearing to read "Jeny Grupe". The signature is fluid and cursive, with the first name "Jeny" and last name "Grupe" clearly distinguishable.

Jeny L. Grupe CPA, Partner
Sorren CPAs P.C.
Boise, Idaho
September 3, 2026



FINANCIAL STATEMENTS

**SHERMAN COUNTY HEALTH DISTRICT
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2026**

ASSETS:	
Cash and investments	\$ 706,072
Capital assets	
Nondepreciable, land	49,192
Depreciable, net of accumulated depreciation	<u>668,960</u>
TOTAL ASSETS	<u>1,424,224</u>
LIABILITIES:	
Payroll taxes withheld payable	5,712
Long-term liabilities	
Due within one year	8,680
Due in more than one year	<u>175,599</u>
TOTAL LIABILITIES	<u>189,991</u>
NET POSITION:	
Net Investment in capital assets	533,873
Unrestricted	<u>700,360</u>
TOTAL NET POSITION	<u>\$ 1,234,233</u>

**SHERMAN COUNTY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2026**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Health care services	\$ 987,912	\$ 364,850	\$ -	\$ (623,062)
Interest on long-term debt	8,535	-	-	(8,535)
Total governmental activities	<u>\$ 996,447</u>	<u>\$ 364,850</u>	<u>\$ -</u>	<u>(631,597)</u>
General revenues:				
Property Taxes, Levied for General Purposes				625,815
Community Service Fees/SIP				25,045
Interest and Investment Earnings				27,835
Miscellaneous				<u>4,089</u>
Total general revenues				<u>682,784</u>
CHANGE IN NET POSITION				<u>51,187</u>
NET POSITION - JUNE 30, 2025				<u>1,183,046</u>
NET POSITION - JUNE 30, 2026				<u><u>\$ 1,234,233</u></u>

**SHERMAN COUNTY HEALTH DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE ARISING FROM CASH
TRANSACTIONS
GOVERNMENTAL FUNDS JUNE 30, 2026**

	General Fund
ASSETS:	
Cash and investments	\$ 706,072
TOTAL ASSETS	<u>\$ 706,072</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES:	
Payroll taxes withheld payable	\$ 5,712
TOTAL LIABILITIES	<u>5,712</u>
FUND BALANCES:	
Unassigned	<u>700,360</u>
TOTAL FUND BALANCES	<u>700,360</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 706,072</u>

**SHERMAN COUNTY HEALTH DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCE ARISING FROM CASH TRANSACTIONS TO THE STATEMENT OF NET POSITION-
MODIFIED CASH BASIS JUNE 30, 2026**

TOTAL FUND BALANCES	\$	700,360
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Amounts reported for governmental activities in the Statement of Net Position
- Modified Cash Basis are different because:

Capital assets are not financial resources and therefore are not reported in
the governmental funds:

Cost	\$	1,003,954	
Accumulated depreciation		<u>(285,802)</u>	718,152

Long-term liabilities not payable in the current year are not reported as
governmental fund liabilities. These liabilities consist of:

Note payable		<u>(184,279)</u>	
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TOTAL NET POSITION	\$	<u><u>1,234,233</u></u>
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**SHERMAN COUNTY HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2026**

	General Fund
REVENUES:	
Property taxes	\$ 625,815
Community service fees/SIP	25,045
Clinic income	224,007
Other grants/reimbursements	18,246
PCPCH income	73,847
Pharmacy income	3,282
Rent income	45,468
Interest income	27,835
Miscellaneous	4,089
TOTAL REVENUES	1,047,634
EXPENDITURES:	
Current:	
Health care services	954,442
Debt service	
Principal	8,265
Interest	8,535
Capital outlay	13,050
TOTAL EXPENDITURES	984,292
OPERATING INCOME (LOSS)	63,342
BEGINNING FUND BALANCE - JUNE 30, 2025	637,018
ENDING FUND BALANCE - JUNE 30, 2026	\$ 700,360

**SHERMAN COUNTY HEALTH DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE ARISING FROM CASH TRANSACTIONS OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2026**

NET CHANGE IN FUND BALANCE	\$	63,342
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Amounts reported for governmental activities in the Statement of Activities - Modified Cash Basis are different because:

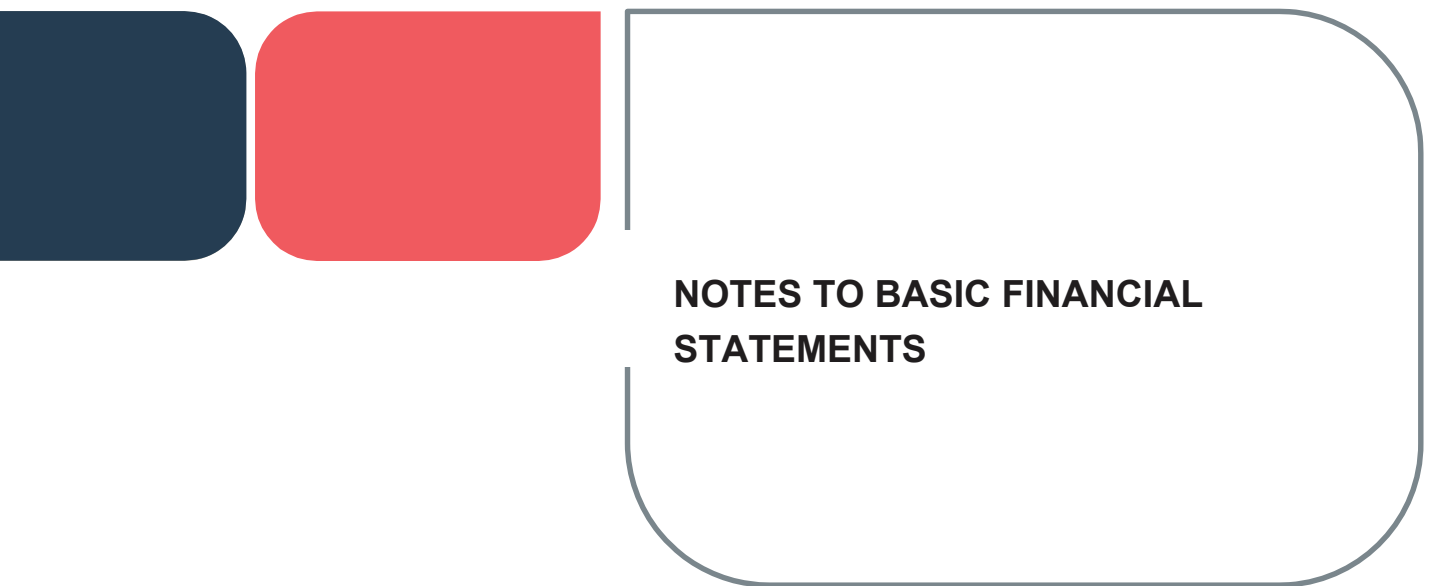
Governmental funds report repayment of debt principal as a disbursement, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis. Similarly, loan forgiveness and accrued interest affect long-term liabilities in the Statement of Net Position - Modified Cash Basis, but have no effect on current financial resources reported in the governmental funds.

Repayment of debt principal		8,265
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities - Modified Cash Basis the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Expenditures for capital assets		13,050
Less current year depreciation		<u>(33,470)</u>

CHANGE IN NET POSITION	\$	<u>51,187</u>
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**NOTES TO BASIC FINANCIAL
STATEMENTS**

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sherman County Health District (the District) have been prepared in accordance with a special-purpose framework other than generally accepted accounting principles (GAAP). The special-purpose framework utilized by the District is the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting standards. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards, which along with the subsequent GASB pronouncements (standards and interpretations), are applied by the District to the extent they are applicable to the modified cash basis of accounting.

The more significant of the District's accounting policies are described below.

The Financial Reporting Entity

The District is governed by a five-member Board of Directors who are elected to terms of four years. The financial affairs of the District are handled by the District's Administrator. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. Sherman County Health District has no component units.

The Sherman County Health District was formed on August 2, 1995 for the purpose of supplying the District's inhabitants with facilities for health care. The District operates the Sherman County Medical Clinic.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when and how revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide Financial Statements

The government-wide financial statements (the statement of net position - modified cash basis and the statement of activities – modified cash basis) report information on all the non-fiduciary governmental activities of the District as a whole. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District has no *business-type activities*.

The statement of activities – modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (continued)

In the government-wide statements governmental activities are presented using a modified cash basis of accounting. The modified cash basis of accounting uses elements of both the cash basis and accrual basis of accounting. Under the cash basis, transactions are recognized when there is either incoming cash or outgoing cash; thus, the receipt of cash triggers recordation of revenue, while the payment of cash triggers the recordation of expense. Under the accrual basis, revenue is recorded when earned and expenses when incurred, irrespective of any cash transaction. The modified cash basis records short term items when cash levels change hands (i.e. the cash basis), and records longer-term balance sheet items with accruals. The District makes certain exceptions to short-term assets and liabilities that result from cash transactions. For example, the District accrues a current payroll liability for deductions withheld and the District had yet to payout as of June 30, 2026.

The long-term items recorded by the District include: Capital Assets, and Long-Term Debt.

The modified cash basis is a special-purpose framework other than GAAP. If the District utilized GAAP, the government-wide financial statements would use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses when incurred, regardless of timing of related cash flows.

Fund Financial Statements

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary funds. The District's funds are organized into one major category: *governmental*. The District has no proprietary funds.

Governmental Funds

Governmental funds are used to account for the District's general activities, including the collection and disbursement of earmarked monies.

The governmental fund financial statements are presented on the cash basis of accounting with certain exceptions associated with short-term assets and liabilities that result from cash transactions.

The modified cash basis is a special-purpose framework other than GAAP. If the District utilized GAAP, the governmental fund financial statements would use the modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements government-wide presentation. This reconciliation is part of the financial statements.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds (continued)

The following is the District's major governmental fund:

General Fund - The General Fund is the District's primary operating fund and is always classified as a major fund. Currently, this is the District's only fund. This fund type is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The principal revenue source is property taxes. Primary disbursements are for public health services.

Cash and Investments

For the purpose of reporting, "Cash and investments" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

The District's Investments consist of monies invested in the State of Oregon Local Government Investment Pool (LGIP). Investments are carried at cost, which approximates fair value.

Capital Assets

The District's modified cash basis of accounting reports capital assets from cash transactions or events and reports depreciation, when appropriate.

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of more than one year.

Capital assets are depreciated using the straight line method over the following useful lives:

Equipment	5 to 15 years
Building and Improvements	15 to 40 years

Currently, the District does not own any infrastructure assets.

Long Term Debt

In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position – modified cash basis.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position and Fund Balances

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes amounts that can only be used for the specific purposes determined by a formal action of the District's Board of Directors, which includes resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (resolution) it employed previously to commit those amounts.

Assigned – Includes items that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The authority for assigning fund balance is expressed by the Board of Directors, or their designee as established in the District's Fund Balance Policy.

Unassigned – This is the residual classification used for those balances not included in another category.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Balances (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned, as they are needed.

Compensated absences

The District's employees accumulate vacation pay in varying amounts depending on years of continued service. It is the District's policy to permit employees to accumulate earned but unused vacation pay up to 240 hours. However, an employee cannot utilize more than 160 hours of vacation time in a calendar year, without approval by their supervisor. If an employee has at least 80 hours of vacation, the employee can request compensation for vacation hours in excess of 80 hours. All outstanding vacation time is payable upon termination of employment.

Sick Leave accumulates at the rate of 4.00 hours for every pay period for full-time employees and is prorated for part-time employees who work more than 20 hours per week. Sick leave is limited to an accumulation of 240 hours and is not compensable upon termination of employment.

Because the liability for compensated absences does not result from cash basis transactions, no liability for compensated absences has been recorded in the District's financial statements.

Program Revenues

In the Statement of Activities - modified cash basis revenues that are derived directly from each activity are reported as program receipts. The District has the following program receipts in each activity:

Health Care Services

Patient fees, pharmacy sales, building rent, grants and donations

Property Tax Revenues

Property taxes are levied on July 1 pursuant to Oregon Revised Statute 310.030. Taxes are payable in full on November 15 or are payable in installments the last of which is due on May 15 of the year following the year in which payment was imposed. Taxes become delinquent on personal property when any installment is not paid by its due date. Taxes become delinquent on real property if not paid by May 15. On January 1 and July 1 tax liens attach to personal and real property respectively to secure payment of all taxes, penalties and interest ultimately imposed. Personal Property is subject to summary seizure and the responsible taxpayer is subject to warrant service 30 days after delinquency date. Foreclosure proceedings begin on real property after three years from the date taxes become delinquent.

Property taxes are collected by the Sherman County Tax Collector and credited to the District's account. Funds are deposited by the Sherman County Tax Collector to the District's checking account and transferred, as necessary, by the District Administrator to the Local Government Investment Pool account.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New GASB Pronouncements

During the year ended June 30, 2026, the District implemented the following GASB Pronouncements:

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The implementation of this statement is included in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

GASB Statement No. 104, *Disclosure of Certain Assets*. This standard requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, requires certain intangible assets to be disclosed separately by major class, and requires additional disclosures for capital assets held for sale. This Statement also addresses certain application issues. There is no effect on the District's financial statements as a result of this statement.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2026:

GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve financial reporting requirements for subsequent events and enhance consistency in their application. The Statement clarifies the period during which subsequent events are evaluated, distinguishes between recognized and nonrecognized subsequent events, and establishes related disclosure requirements. The Statement also requires disclosure of the date through which subsequent events have been evaluated. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

The District will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

NOTE 2 – APPROPRIATION AND BUDGETARY CONTROLS

Budgetary information

The budget is prepared on the modified cash basis method of accounting for each fiscal year July 1 through June 30. The budget process includes a series of notices and publications culminating with the budget hearing. After the public hearing has been held, the Board enacts the resolutions to adopt the budget, make appropriations, and declare the ad valorem tax levy for all funds.

The District's Board of Directors may, however, approve additional appropriations for unexpected additional resources or necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution or ordinance of the District's Board of Directors. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 2 – APPROPRIATION AND BUDGETARY CONTROLS (continued)

Budgetary information (continued)

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body.

A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Board of Directors. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30th.

All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are as originally budgeted, or as amended by the Board of Directors. During the year there were no supplemental budget appropriating unanticipated resources. Appropriations lapse at the end of each fiscal year.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2026:

Demand Deposits	\$ 26,504
Investments	<u>679,568</u>
Totals	<u>\$ 706,072</u>

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP, a multiple financial institution collateral pool created by the Office of the State Treasurer.) To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participated bank depositories, it does not guarantee that all funds are 100% protected. At June 30, 2026, the District did not have any deposits exposed to custodial credit risk or a formal policy to limit this risk.

Deposits with Financial Institutions

Deposits with financial institutions consist of bank demand deposits with institutions qualified under the Public Funds Collateralization Program (ORS 295). The carrying amount of deposits at June 30, 2026 was \$26,504. The total bank balance per the bank statement was \$25,423, all of which was covered by federal depository insurance.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 3 – CASH AND INVESTMENTS (continued)

Investments

The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2025-2026. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximates fair value.

Credit Risk. State Statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 4 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2026, are as follows:

	Balance as of 07/01/2025	Additions	Deletions	Balance as of 06/30/2026
Nondepreciable capital assets				
Land	\$ 49,192	\$ -	\$ -	\$ 49,192
Total capital assets not being depreciated	49,192	-	-	49,192
Depreciable capital assets				
Buildings and improvements	821,488	-	-	821,488
Machinery and equipment	120,224	13,050	-	133,274
Total depreciable capital assets	941,712	13,050	-	954,762
Less accumulated depreciation for:				
Buildings and improvements	(210,128)	(22,297)	-	(232,425)
Machinery and equipment	(42,204)	(11,173)	-	(53,377)
Total accumulated depreciation	(252,332)	(33,470)	-	(285,802)
Total assets net of accumulated depreciation	\$ 738,572	\$ (20,420)	\$ -	\$ 718,152

NOTE 5 – RETIREMENT PLAN

Effective August 1, 2004, the District established a SIMPLE IRA (Savings Incentive Match Plan for Employees, Individual Retirement Account) plan under Section 408 of the Internal Revenue Code. The plan is a defined contribution plan. All employees of the District who are expected to receive at least \$5,000 in compensation during the current plan year and who have received at least \$5,000 of compensation in one prior year are eligible to participate in the plan. For each plan year, the District is required to match each employee's elective deferral contributions, not to exceed the lesser of three percent of the employee's compensation or the employee's elective deferral contributions.

The plan was established by a formal action of the District's Board of Directors and a similar action is required to amend the existing SIMPLE IRA plan or the District's required matching contribution.

The plan is administered by Merrill Lynch. After payment of the contributions, the District has no further involvement with eligible recipients.

For the fiscal year ended June 30, 2026, contributions to the plan totaled \$53,393 of which \$39,443 was employee elective deferrals and \$12,950 was the District's match. This represented 100% of the District's required contribution for the fiscal year.

**SHERMAN COUNTY HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

NOTE 6 – LONG TERM DEBT

BEO Loan – On December 15, 2021, the District purchased a new building behind the clinic at 109 Scott St. The total purchase price of the building was \$290,000. The District entered into a loan agreement with Bank of Eastern Oregon for \$219,000 of the purchase price. The loan calls for monthly payments of \$1,385, with an interest rate of 4.5% and balance due in full by December 2041. Future debt payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	\$ 8,680	\$ 8,120	\$ 16,800
2028	9,079	7,721	16,800
2029	9,496	7,304	16,800
2030	9,932	6,868	16,800
2031	10,388	6,411	16,799
2032-2036	59,556	24,444	84,000
2037-2041	74,552	9,447	83,999
2042	2,596	14	2,610
	<u>\$ 184,279</u>	<u>\$ 70,329</u>	<u>\$ 254,608</u>

Changes in long-term debt:

	Balance June 30, 2025	Additions	Reductions	Balance June 30, 2026	Due Within One Year
BEO Loan	<u>\$ 192,542</u>	<u>\$ -</u>	<u>\$ (8,265)</u>	<u>\$ 184,279</u>	<u>\$ 8,680</u>

NOTE 7 – RISK MANAGEMENT

The District purchases commercial insurance policies to insure against most hazards. There have been no significant reductions in the District's insurance coverage, in any risk category, from coverage in the prior year. Settlement amounts have not exceeded insurance coverage in any of the past three years.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The District has elected to self-insure for unemployment tax purposes. The District has not set up a reserve fund to cover any future liability and no tax is paid or disbursement recorded until a claim is made against the District. There were no claims against the District during the fiscal year ended June 30, 2026. Accordingly, there was no need to reimburse the Oregon Department of Employment during the fiscal year.

**SHERMAN COUNTY HEALTH DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
General Fund
YEAR ENDED JUNE 30, 2026**

	Budget		Variance with Original Budget over (under) Final Budget	Actual	Variance with Final Budget over (under) Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 372,900	\$ 372,900	\$ -	\$ 625,815	\$ 252,915
Community Service Fees/SIP	23,205	23,205	-	25,045	1,840
Clinic Income	200,936	200,936	-	224,007	23,071
Pharmacy Income	5,404	5,404	-	3,282	(2,122)
Interest Income	20,168	20,168	-	27,835	7,667
Other Grants/Reimbursements	4,200	4,200	-	18,246	14,046
PCPCH Income	90,736	90,736	-	73,847	(16,889)
Rental Income	48,000	48,000	-	45,468	(2,532)
Miscellaneous	1,200	1,200	-	4,089	2,889
TOTAL REVENUE	766,749	766,749	-	1,047,634	280,885
EXPENDITURES					
Health Services:					
Personnel Services	995,520	995,520	-	719,613	275,907
Materials and Services	271,206	271,206	-	234,829	36,377
Capital Outlay	55,000	55,000	-	13,050	41,950
TOTAL HEALTH SERVICES	1,321,726	1,321,726	*	967,492	354,234
DEBT SERVICE:					
Principal	8,264	8,264	-	8,265	(1)
Interest	8,536	8,536	-	8,535	1
TOTAL DEBT SERVICE	16,800	16,800	*	16,800	-
CONTINGENCY	40,064	40,064	*	-	40,064
TOTAL EXPENDITURES	1,378,590	1,378,590	-	984,292	394,298
Excess of Revenues Over (Under) Expenditures	(611,841)	(611,841)	-	63,342	675,183
Net Change in Fund Balance	(611,841)	(611,841)	-	63,342	675,183
FUND BALANCE - BEGINNING OF YEAR	611,841	611,841		637,018	25,177
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ 700,360	\$ 700,360

* - Appropriation level

**SHERMAN COUNTY HEALTH DISTRICT
SUPPLEMENTARY INFORMATION
NOTES TO BUDGET AND ACTUAL SCHEDULES**

Note A - Actual Budget Results

	<u>General Fund over(under)</u>
BUDGETARY REVENUES	
Differences - final budget to actual	
The District experienced an increase in revenue for taxes from budgeted amounts primarily due to higher-than-anticipated tax distributions from Sherman County, which may include distributions related to Oregon's Heavy Equipment Rental Tax.	\$ 252,915
BUDGETARY EXPENDITURES	
Differences - final budget to actual	
Health services were less than budgeted primarily due to insurance benefit costs being lower than anticipated. The District budgets insurance allowances based on anticipated benefit levels for eligible employees; however, actual costs vary based on employee participation and benefit elections. Actual insurance costs were lower than the amounts budgeted for the year, resulting in a favorable variance in personnel expenditures.	\$ (275,907)



SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Sherman County Health District
Moro, Oregon

We have audited the basic financial statements of the Sherman County Health District, Oregon (the District) as of and for the year ended June 30, 2026, and have issued our report thereon dated September 3, 2026. 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 162-010-0000 through 162-010-0330 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 the 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 but were not limited to the following:

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

In connection with our audit, 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 Administration Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-010-0330 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Restrictions on Use

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

A handwritten signature in black ink, appearing to read "Jeny Grupe". The signature is fluid and cursive, with the first name "Jeny" and last name "Grupe" clearly distinguishable.

Jeny L. Grupe CPA, Partner
Sorren CPAs P.C.
Boise, Idaho
September 3, 2026