Partnership Health Center
(A Component Unit of Missoula County, Montana)

Financial Statements and
Independent Auditor’s Report

June 30, 2019 and 2018

Partnership Health Center

WIPFLi LLP
CPAs and Consultants

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)

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WIPFLi LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Partnership Health Center
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Partnership Health Center, a component unit of Missoula County, Montana, which comprises the statement of net position as of June 30, 2019 and the related statements of revenues, expenses, and changes in fund net position, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Partnership Health Center, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

The financial statements of Partnership Health Center, a component unit of Missoula County, Montana as of June 30, 2018 were audited by other auditors whose report dated March 29, 2019, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4-8, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contribution on page 35, Notes to the Schedule of Proportionate Share of the Net Pension Liability on page 36 and the Schedule of Proportionate Share of the Postemployment Benefits Liability on pages 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 38-39 and notes to the schedule of expenditures of federal awards on page 40 are presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, 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 auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards and the notes to, are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2020 on our consideration of Partnership Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Missoula, Montana
September 18, 2020

Our discussion and analysis of Partnership Health Center's financial performance provides an overview of the Center's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the Center's financial statements, which begin on page 9.

Financial Reporting

The Center has issued a complete set of financial statements in accordance with generally accepted accounting principles.

Financial Highlights

Condensed Financial Information

The following tables summarize financial condition and operating results for 2019 compared to 2018:

ASSETS	2019	2018	Change
Current Assets:			
Cash and Cash Equivalents	$ 12,094,833	$ 11,712,966	$ 381,867
Accounts Receivable (net of allowance of $675,090 in 2019 and $636,722 in 2018)	858,379	820,902	37,477
Other Receivables	982,639	993,243	(10,604)
Inventory	887,342	840,360	46,982
Prepaid Expenses	28,592	15,723	12,869
Total Current Assets	14,851,785	14,383,194	468,591
Capital Assets:			
Nondepreciable Capital Assets	449,020	250,439	198,581
Depreciable Capital Assets, Net of Accumulated Depreciation	13,985,959	12,693,546	1,292,413
TOTAL ASSETS	29,286,764	27,327,179	1,959,585
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Expense	2,685,764	3,229,837	(544,073)
Deferred OPEB Expense	91,505	94,773	(3,268)
	2,777,269	3,324,610	(547,341)
LIABILITIES			
Current Liabilities:			
Accounts Payable	381,278	626,063	(244,785)
Accrued Payroll Liabilities	567,234	534,005	33,229
Accrued Interest	33,445	36,294	(2,849)
Compensated Absences	949,354	801,842	147,512
Long-Term Debt, Current Portion	115,000	155,000	(40,000)
Total Current Liabilities	2,046,311	2,153,204	(106,893)
Long-Term Liabilities:			
Long-Term Debt, Net of Current Portion	1,660,000	1,775,000	(115,000)
Post Employment Benefits	606,709	569,931	36,778
Net Pension Liability	11,565,803	12,829,830	(1,264,027)
Total Long-Term Liabilities	13,832,512	15,174,761	(1,342,249)
TOTAL LIABILITIES	15,878,823	17,327,965	(1,449,142)
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Expense	1,837,581	104,736	1,732,845
Deferred OPEB Expense	116,191	90,041	26,150
	1,953,772	194,777	1,758,995
NET POSITION			
Net Investment in Capital Assets	12,659,979	11,013,985	1,645,994
Restricted	156,138	125,910	30,228
Unrestricted	1,415,321	1,989,152	(573,831)
TOTAL NET POSITION	$ 14,231,438	$ 13,129,047	$ 1,102,391

	2019	2018	Change
OPERATING REVENUE			
Charges for Services	$ 22,162,798	$ 20,385,126	$ 1,777,672
On-Behalf Revenue-Pensions	258,499	192,686	65,813
Total Operating Revenue	22,421,297	20,577,812	1,843,485
OPERATING EXPENSES			
Personnel	16,017,360	14,651,853	1,365,507
Other Operating Expenses	13,056,031	12,071,047	984,984
Depreciation	574,834	548,363	26,471
Total Operating Expenses	29,648,225	27,271,263	2,376,962
Operating Loss	(7,226,928)	(6,693,451)	(533,477)
NON-OPERATING REVENUE (EXPENSE)			
Intergovernmental Revenue	7,868,487	7,779,208	89,279
Private/Local Grants and Donations	186,031	255,835	(69,804)
Miscellaneous Revenue	179,295	34,380	144,915
Interest Revenue	120,485	22,273	98,212
Interest Expense	(66,888)	(72,588)	5,700
Total Non-Operating Revenue (Expense)	8,287,410	8,019,108	268,302
Change in Net Position Before Capital Contributions	1,060,482	1,325,657	(265,175)
Capital Contributions	41,909	-	41,909
			-
Change in Net Position	1,102,391	1,325,657	(223,266)
Net Position, Beginning of Year	13,129,047	12,221,942	907,105
Cumulative Change in Accounting Principle	-	(418,552)	418,552
Net Position, Beginning of Year, Restated	13,129,047	11,803,390	1,325,657
Net Position, End of Year	$ 14,231,438	$ 13,129,047	$ 1,102,391

Discussion of Financial Results

Key Factors Affecting Financial Performance in Fiscal Year 2019

During FY 2019, Partnership Health Center (PHC) continued to see the positive impacts of the continuation of the Affordable Care Act and Medicaid expansion in Montana. Both factors contributed to fewer patients with no payor source which has continued to facilitate a period of financial growth and stability for the organization.

The following analysis details the financial results for fiscal year 2019 in comparison to the prior year.

Current assets include cash, receivables, inventories and prepaid costs. Cash reserves increased by $381,867 bringing total cash to $12,094,833 as of June 30, 2019. Consistent with trends that began in FY 2016, the increase in cash may be attributed in part to the change in the payer mix. More patients were insured with the expansion of Medicaid in the state of Montana and the insurance offerings through the health insurance exchanges created to comply with the Affordable Care Act. Additionally, there was continued emphasis on collections and a focused effort to maintain the number of days in accounts receivable to be in alignment with industry standards.

For the year ending June 30, 2019, patient accounts receivable totaled $1,533,469 with $675,090 established for an allowance for bad debts. Other receivables total $982,639 at June 30, 2019 compared to $993,243 at June 30, 2018. The other receivables for fiscal year 2019 included receivables from numerous state programs and insurance payments expected from pharmaceutical companies, reimbursement from the Family Medicine Residency of Western Montana, the Health Resources and Services Administration (HRSA) and a cost settlement from the Centers for Medicare and Medicaid Services (CMS).

Net accounts receivable increased from $820,902 in 2018 to $858,379 in 2019. This increase is reasonable due to the timing efforts of collections which represents only a 5 (five) percent change from the previous year. Other receivables decreased by $10,604 from 2018 to 2019. This category of receivables changes each year relating to the timing and composition of reimbursements to be received from federal, state and local programs.

Inventory of $887,342 reflects the number of pharmaceuticals on hand as of June 30, 2019 in the Partnership Health Center Pharmacy. Year-end inventory increased by $46,982. PHC's pharmacy is extremely busy with a continual increase in the number of prescriptions filled each year. In response to the increasing demands for medications with the growing patient population at PHC, inventory has continued to expand.

Prepaid expenses as of June 30, 2019 totaled $28,592 compared to $15,723 reported on June 30, 2018. Prepaid expenses consisted of a prepaid software maintenance contract and the prepaid facility rent for one of PHC's satellite locations.

During fiscal year 2019, net capital assets increased by $1,490,994 in comparison to an increase of $59,987 in the prior year. Near the end of FY 18, PHC entered into Phase 6 of Construction at the Creamery Building. The project was to provide much needed space for the pharmacy and increase the efficiency of the department's workspace. The project also included other modifications or improvements that made up only a small percentage of the project (less than 5%) as a whole. Those modifications included adding light to already existing basement offices, adding security cameras to the east and north sides of the building, modifying the generator to power the elevator in the event of a power outage, and modifying the dental area desk to be ADA compliant. All construction projects were completed in FY19. During FY19, PHC purchased land in the amount of $449,020 (nondepreciable capital assets) and the building at 323 West Alder Street. Other depreciable additions of doors and windows were made to both the Creamery Building and the Alder Street Building. In addition, PHC invested in various software upgrades to protect and enhance operations at PHC.

Partnership Health Center recorded $2,777,269 in Deferred Outflows of Resources in order to comply with GASB # 68, Accounting and Financial Reporting for Pensions which was implemented in fiscal year 2015. Deferred Outflows of Resources is made up of two components. One is the Deferred Pension Expense and for FY 2019 that number is $2,685,764 which is a decrease of $544,073 from FY 2018. The second component is Deferred OPEB Expense which is $91,505 for FY19 and is a decrease of $3,268 from the $94,773 reported in FY18.

Current liabilities reflect accounts payable, accrued payroll, accrued interest, compensated absences and current portions of outstanding debt. Accounts payable decreased to $381,278 as of June 30, 2019 compared to $626,063 reported on June 30, 2018. Accrued payroll increased by $33,229 for a total of $567,234 as of June 30, 2019. Accrued interest in the amount of $33,445 was included in current liabilities for the fiscal year ended June 30, 2019. This interest is calculated based on outstanding debt. The liability for compensated absences increased by $147,512 from fiscal year 2018 which brings the total to $949,354 for fiscal year 2019. Current portions of outstanding debt reflected in the fiscal year-end financial reports total $115,000.

Post-Employment benefits increased by $36,778 to $606,709 as of June 30, 2019 compared to $569,931 as of June 30, 2018. Net pension liability was reported in FY 2018 as $12,829,830. In 2019, that amount decreased by $1,264,027 to $11,565,803.

In 2009, Missoula County provided $2,000,000 in bonds for the purchase of the Creamery building. As of June 30, 2019, the total amount owed to Missoula County for these bonds was $1,105,000. The total amount owed to the City of Missoula was $275,000 for a Community Development Block Grant which states in the terms that if PHC sells the Alder building, the $275,000 will be repaid to the City.

Additionally, Missoula County issued debt on behalf of Partnership Health Center to assist in costs of the Creamery Building basement remodel during the 2013 fiscal year. This debt in the amount of $280,000 is reflected on the financial statements at June 30, 2019.

All debt payments are on schedule and future debt service payments are budgeted accordingly.

The amount reported as deferred inflows of resources is as follows: Deferred Pension Expense is $1,837,581 which is an increase of $1,732,845 over the prior year which was reported at $104,736. Deferred OPEB Expense is reported in FY19 as $116,191 as compared to $90,041 in FY 18 which is an increase of $26,150.

Net position, or equity, increased to $14,231,438 in 2019 which compares to $13,129,047 in 2018. This is an increase of $1,102,391. Restricted assets reflect amounts reserved for the Montana Cancer Screening Program and the Montana Healthcare Foundation. Overall, restricted assets increased to $156,138 on June 30, 2019 from $125,910 on June 30, 2018.

During fiscal year 2019, total operating revenue increased by 9%. The charges for services represent health service fees paid by patients on a sliding scale based on ability to pay, Medicare payments, Medicaid payments and other private and public insurance payments. Charges totaling $22,810,458 in 2019 reflect the gross amount of charges prior to bad debt expense realized during the fiscal year of $647,660 for a net of $22,162,798. Included in operating revenue for FY 19 is On-behalf State Pension Revenue in the amount of $258,499 which compares to $192,686 in FY 2018.

Intergovernmental grant revenues increased for fiscal year 2019, by $89,279 or 1%. Total intergovernmental grant revenue was $7,868,487 for FY 2019 and $7,779,208 for FY 2018. Private/Local Grants and donations revenue was $186,031 for fiscal year 2019. This is a decrease from last fiscal year in the amount of $69,804.

During fiscal year 2019, operating expenses increased by 9%. This increase can be attributed to additional costs associated with increased and full staffing levels to meet new program demands and extra operating expenses to fully fund the expansion of services. There was an increase in depreciation expense in 2019 of $26,471. Total increase in expenses was $2,376,962. The list below highlights the fluctuations in expenses from this year compared to last year:

- Payroll expenses increased by 9%.
- Other operating expenses decreased by 8%.
- Depreciation expense increased by 5%.

Partnership Health Center sustained a net operating loss prior to grant funding that was 8% more than in 2018.

Key Factors Affecting Financial Performance in Fiscal Year 2020

Even though Partnership Health Center has a healthy bottom line, there are concerns regarding federal health programs in today's political climate. It is still unclear at this point as to how the repeal of the Obamacare individual mandate, which makes the purchase of health insurance voluntary not mandatory, will impact PHC. In April of 2019, Medicaid expansion was extended for another six years impacting approximately 96,000 low-income Montanans. However, there is a community engagement component of the expansion bill. It is unclear how this requirement will impact current and new patients to PHC. PHC is also in the early stages of requesting a rebasing of Medicaid reimbursement. It is anticipated that the reimbursement rate per visit will increase. A more current development involves the 340B Drug Program and the looming perils the program may face in coming years. These factors in combination with some uncertainty regarding continued 330 grant funding are of obvious concern to PHC.

Cuts in any of these areas would have a significant negative impact on PHC's financial position and results of operations. On a more positive note, PHC has plans to expand patient services to new sites. The opioid crisis has sparked federal interest in prevention programs and PHC has been the recipient of new grants targeting this area.

The continued emphasis on mental health issues is at the forefront of the 330 grant program and again PHC has received additional funding to provide integrated behavioral healthcare. In spite of potential obstacles, the board and management of Partnership Health Center are committed to the mission of promoting optimal health and well-being for all, through comprehensive, patient focused, accessible and equitable care.

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
STATEMENTS OF NET POSITION
Years Ended June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets:		
Cash and Cash Equivalents	$ 12,094,833	$ 11,712,966
Accounts Receivable (net of allowance of $675,090 in 2019 and $636,722 in 2018)	858,379	820,902
Other Receivables	982,639	993,243
Inventory	887,342	840,360
Prepaid Expenses	28,592	15,723
Total Current Assets	14,851,785	14,383,194
Capital Assets:		
Nondepreciable Capital Assets	449,020	250,439
Depreciable Capital Assets, Net of Accumulated Depreciation	13,985,959	12,693,546
TOTAL ASSETS	29,286,764	27,327,179
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Expense	2,685,764	3,229,837
Deferred Postemployment Benefits Expense	91,505	94,773
Total Deferred Outflows of Resources	2,777,269	3,324,610
LIABILITIES		
Current Liabilities:		
Accounts Payable	381,278	626,063
Accrued Payroll Liabilities	567,234	534,005
Accrued Interest	33,445	36,294
Compensated Absences	949,354	801,842
Long-Term Debt, Current Portion	115,000	155,000
Total Current Liabilities	2,046,311	2,153,204
Long-Term Liabilities:		
Long-Term Debt, Net of Current Portion	1,660,000	1,775,000
Postemployment Benefits	606,709	569,931
Net Pension Liability	11,565,803	12,829,830
Total Long-Term Liabilities	13,832,512	15,174,761
TOTAL LIABILITIES	15,878,823	17,327,965
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Expense	1,837,581	104,736
Deferred Postemployment Benefits Expense	116,191	90,041
Total Deferred Inflows of Resources	1,953,772	194,777
NET POSITION		
Net Investment in Capital Assets	12,659,979	11,013,985
Restricted	156,138	125,910
Unrestricted	1,415,321	1,989,152
TOTAL NET POSITION	$ 14,231,438	$ 13,129,047

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUE		
Charges for Services	$ 22,162,798	$ 20,385,126
On-Behalf Revenue-Pensions	258,499	192,686
Total Operating Revenue	22,421,297	20,577,812
OPERATING EXPENSES		
Personnel	16,017,360	14,651,853
Other Operating Expenses	13,056,031	12,071,047
Depreciation	574,834	548,363
Total Operating Expenses	29,648,225	27,271,263
Operating Loss	(7,226,928)	(6,693,451)
NON-OPERATING REVENUE (EXPENSE)		
Intergovernmental Revenue	7,868,487	7,779,208
Private/Local Grants and Donations	186,031	255,835
Miscellaneous Revenue	179,295	34,380
Investment Earnings	120,485	22,273
Interest Expense	(66,888)	(72,588)
Total Non-Operating Revenue (Expense)	8,287,410	8,019,108
Change in Net Position Before Capital Contributions	1,060,482	1,325,657
Capital Contributions	41,909	-
Change in Net Position	1,102,391	1,325,657
Net Position, Beginning of Year	13,129,047	12,221,942
Cumulative Change in Accounting Principle	-	(418,552)
Restatements	-	-
Net Position, Beginning of Year, Restated	13,129,047	11,803,390
Net Position, End of Year	$ 14,231,438	$ 13,129,047

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 22,237,335	$ 20,339,501
Payments to Suppliers of Goods or Services	(13,235,934)	(12,340,801)
Payments to Employees	(14,499,033)	(12,862,649)
Net Cash Used by Operating Activities	(5,497,632)	(4,863,949)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Grants, Donations, and Other Sources	8,132,403	8,205,948
Net Cash Provided by Noncapital Financing Activities	8,132,403	8,205,948
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Federal and Other Grantors	41,909	-
Acquisition of Property and Equipment	(2,046,711)	(464,500)
Payment of Accounts Payable	(143,850)	(184,601)
Principal Paid on Long-Term Debt	(155,000)	(140,000)
Interest Paid on Long-Term Debt	(69,737)	(74,768)
Net Cash Used by Capital and Related Financing Activities	(2,373,389)	(863,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received from Interest Earnings	120,485	22,273
Net Increase in Cash and Cash Equivalents	381,867	2,500,403
Cash and Cash Equivalents, Beginning of Year	11,712,966	9,212,563
Cash and Cash Equivalents, End of Year	$ 12,094,833	$ 11,712,966

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
STATEMENTS OF CASH FLOWS, Continued
Years Ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$ (7,226,928)	$ (6,693,451)
Adjustments to reconcile operating loss to net cash used in Operating Activities:		
Depreciation	574,834	548,363
Change in Accounts Receivable	(37,477)	(50,645)
Change in Other Receivable	112,014	5,020
Change in Inventory	(46,982)	(167,777)
Change in Prepaid Expenses	(12,869)	(14,888)
Change in Deferred Outflows of Resources	547,341	(1,016,698)
Change in Accounts Payable	(120,052)	(87,089)
Change in Accrued Liabilities	33,229	12,490
Change in Compensated Absences	147,512	98,016
Change in Postemployment Liabilities	36,778	69,064
Change in Net Pension Liability	(1,264,027)	2,273,810
Change in Deferred Inflows of Resources	1,758,995	159,836
Net Cash Used by Operating Activities	$ (5,497,632)	$ (4,863,949)

DISCLOSURE OF NON-CASH TRANSACTIONS:

In fiscal year 2019 and 2018, $19,117 and $143,860, respectively, of capital additions were financed with accounts payable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Partnership Health Center are presented below.

a. Nature of Operations

Partnership Health Center (the Center) is a nonprofit corporation whose purpose is to provide comprehensive primary health care to the medically underserved population of Missoula County and the surrounding area. Services are provided on a sliding fee scale to allow patients to be charged in accordance with their ability to pay.

b. The Reporting Entity

The Center's board of directors is comprised of representatives of local health care providers and consumers. However, under the terms of an agreement between the Center and Missoula County, the county provides fiscal management services and oversight of human resources and risk management matters of the Center. Due to the significance of this relationship, the Center is considered a component unit of Missoula County.

c. Basis of Presentation and Accounting

The Center has adopted the standards issued by the Governmental Accounting Standards Board (GASB) and is classified as a "governmental nonprofit organization." Under these standards, the Center utilizes accounting principles applicable to enterprise funds. The Center uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when services are rendered and the liability is incurred. Operating revenues and expenses generally arise from providing health care services. All other revenues and expenses are classified as nonoperating. When restricted and unrestricted net position are both available for expenses the Center generally applies restricted resources first.

d. Cash and Cash Equivalents

The Center's cash is held by the County Treasurer and pooled with other County cash. The Center does not own specific identifiable investment securities in the County cash and investment pool. Information regarding credit risk, custodial credit risk and interest rate risk is available in Missoula County's comprehensive annual financial report. There is no regulatory oversight for the County's investment pool, and participants' equity in the pool approximates the fair value of the underlying investments. The Missoula County investment pool is not rated.

For purposes of the statement of cash flows, the Center considers all pooled cash and investments with the Missoula County Treasurer to be cash equivalents.

e. Patient Accounts Receivable and Credit Policy

Patient receivables are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Center bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient receivables are applied to the specific claim identified on the remittance advice or statement. The Center does not have a policy to charge interest on past due accounts.

Patient receivables are recorded in the accompanying balance sheets net of contractual adjustments and allowances for doubtful accounts, which reflect management's best estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to accounts receivable. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowance for doubtful accounts.

In evaluating the collectibility of accounts receivable, the Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for doubtful accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

Specifically, for receivables associated with services provided to patients who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a significant provision for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Classification of Net Position

The Center classifies net position as follows:

Net Investment in Capital Assets – The Center's investment in property and equipment, net of depreciation and related outstanding debt.

Restricted – Resources that are expendable only for purposes specified by the grantor or donor are reported as restricted net position. Restricted net position relate principally to private donations and pledges that are restricted by donors for specific programs.

Unrestricted – Resources over which the governing board has discretionary control.

g. Inventory

Inventory consists of prescription and nonprescription medications and is recorded at cost, which approximates lower of cost or market.

h. Property and Equipment

Property and equipment are reported at cost or at acquisition value on the date of donation. Assets costing $5,000 or more are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 10 years for furniture, fixtures and equipment and 39 to 40 years for buildings. Repair and maintenance costs are expensed as incurred and improvements that extend the life or capacity of the asset are capitalized.

i. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

j. Risk Management

The Center is exposed to various risks of loss related to torts, damage or loss of assets, errors or omissions, injuries to employees, employee medical claims and natural disasters. The Center participates in Missoula County's self-insured risk management plans, which include general liability, workers' compensation coverage, and employee benefits. The Center is also covered by the County's insurance policy for damage or loss of assets. Missoula County has the authority to amend the plans. Complete information regarding the Missoula County risk management plans is available in the County's comprehensive annual financial report.

Liability protection from malpractice claims is provided by the federal government under the Federal Tort Claims Act. For services outside the scope of the Federal Tort Claims Act, additional malpractice insurance has been purchased from a commercial insurance provider. Any claims that fall outside these coverages are covered by Missoula County under the general liability risk management plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Income Tax Status

The Center is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

l. Performance Indicator

Nonprofit healthcare organizations are required to select and report a performance indicator that is tantamount to income or loss from continuing operations of a for-profit entity. The Center's change in net position serves as its relevant performance measure.

2. REIMBURSEMENT ARRANGEMENTS WITH THIRD-PARTY PAYORS

The Center has agreements with third-party payors that provide for reimbursement to the Center at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows.

Medicare

The Center qualifies for the Medicare Federally Qualified Health Center (FQHC) program and is reimbursed using a prospectively based payment system (PPS) under which FQHCs are paid 80% of the lesser of charges based on FQHC payment codes or the PPS rate, a national encounter-based rate with geographic and other adjustments. The FQHC PPS base rate is updated annually based on the Medicare Economic Index (MEI) and thereafter will be updated based on the MEI or by a FQHC market-based index. The Center's cost reports have been final settled through June 30, 2018.

Medicaid

The Center also qualifies for the Medicaid FQHC program. Federal law requires the State of Montana to pay Medicaid FQHC services (on a per-encounter basis) under a prospective payment system (PPS) or an approved alternative methodology. The PPS rate is increased annually by the change in the Medicare Economic Index (MEI), adjusted for any changes in the scope of services.

The Center contracts with a number of Medicaid managed care organizations that pay based on established fee schedules. This amount is generally significantly less than the PPS rate. Federal law requires the State of Montana to reimburse the Center the difference between the managed care organization established fee schedule and the final Medicaid rates ("wrap-around revenue").

Other

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per procedure and percentage discounts from established charges.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. While no significant regulatory inquiries have been made of the Center, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RAC) as part of its further efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to health care providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Center has the ability to appeal these adjustments. At June 30, 2019, management was not aware of any current RAC reviews that would result in significant reimbursement adjustments.

3. CAPITAL ASSETS

Changes in capital assets for the years ended June 30, 2019 and 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Nondepreciable Capital Assets:							
Land	$ -	$ -	$ -	$ -	$ 449,020	$ -	$ 449,020
Construction in Progress	445,189	246,965	(441,715)	250,439	-	(250,439)	-
Total Nondepreciable Capital Assets	$ 445,189	$ 246,965	$ (441,715)	$ 250,439	$ 449,020	$ (250,439)	$ 449,020
Depreciable Capital Assets:							
Building	$ 14,422,378	$ 740,131	$ -	$ 15,162,509	$ 1,564,912	$ -	$ 16,727,424
Equipment	1,727,915	62,969	-	1,790,884	302,332	-	2,093,216
Less: Accumulated Depreciation	(3,711,484)	(548,363)	-	(4,259,847)	(574,834)	-	(4,834,681)
Total Depreciable Capital Assets	$ 12,438,809	$ 254,737	$ -	$ 12,693,546	$ 1,292,410	$ -	$ 13,985,959

4. LONG-TERM LIABILITIES

Changes in long-term liabilities during the years ended June 30, 2019 and 2018 are as follows:

	Balance July 1, 2018	Cumulative Change in Accounting Principle	Increases	Reductions	Balance June 30, 2019	Due Within One Year
Advances from Missoula County	$ 1,655,000	$ -	$ -	$ (155,000)	$ 1,500,000	$ 115,000
Notes Payable	275,000	-	-	-	275,000	-
Postemployment Benefits	569,931	-	36,778	-	606,709	-
	$ 2,499,931	$ -	$ 36,778	$ (155,000)	$ 2,381,709	$ 115,000

	Balance July 1, 2017	Cumulative Change in Accounting Principle	Increases	Reductions	Balance June 30, 2018	Due Within One Year
Advances from Missoula County	$ 1,795,000	$ -	$ -	$ (140,000)	$ 1,655,000	$ 155,000
Notes Payable	275,000	-	-	-	275,000	-
Postemployment Benefits	82,315	418,552	69,064	-	569,931	-
	$ 2,152,315	$ 418,552	$ 69,064	$ (140,000)	$ 2,499,931	$ 155,000

A summary of long-term debt as of June 30 follows:

	2019	2018
$210,000 advance payable from Missoula County, 0.8 to 2.0% interest, payable semiannually, secured by the Alder Street building, maturing July 2018.	$ -	$ 40,000
$2,000,000 advance payable from Missoula County, 4.0 to 5.0% interest, payable semiannually, secured by the Creamery building, maturing July 2028.	1,200,000	1,300,000
$395,000 advance payable from Missoula County, 0.8 to 3.0% interest, payable semiannually, secured by the Creamery building, maturing July 2032.	300,000	315,000
$275,000 note payable to City of Missoula, repayment deferred until Alder Street building is sold.	275,000	275,000
	1,775,000	1,930,000
Less: current portion	(115,000)	(155,000)
Long-term portion	$ 1,660,000	$ 1,775,000

4. LONG-TERM LIABILITIES (Continued)

Annual requirements to amortize debt as of June 30, 2019:

Advances

Year	Principal	Interest	Total
2020	$ 115,000	$ 64,431	$ 179,431
2021	120,000	59,400	179,400
2022	125,000	54,131	179,131
2023	130,000	48,625	178,625
2024	135,000	42,781	177,781
2025-2029	775,000	110,375	885,375
2030-2033	100,000	6,000	106,000
Total	$ 1,500,000	$ 385,743	$ 1,885,743

Notes Payable

Year	Principal	Interest	Total
Undetermined**	$ 275,000	$ -	$ 275,000

**Repayment of the note is deferred until such time the borrower's building, located at 323 West Alder Street, Missoula, MT is sold. At that time, loan repayment terms will be negotiated. There are currently no plans to sell this building.

5. CHARGES FOR SERVICES

Charges for services consisted of the following for the years ended June 30:

	2019	2018
Medicare	$ 1,131,281	$ 975,494
Medicaid	10,259,684	9,737,285
Private pay	2,195,709	1,968,777
Insurance and other	9,223,785	8,251,213
Total	22,810,459	20,932,769
Provision for bad debts	647,661	547,643
Charges for services - Net	$ 22,162,798	$ 20,385,126

5. CHARGES FOR SERVICES (Continued)

Charges for services by payor was as follows for the years ended June 30:

	2019	2018
Medicare	5%	5%
Medicaid	45%	47%
Private pay	10%	9%
Insurance and other	40%	39%
	100%	100%

6. LEASES

During fiscal year 2014, the Center entered into an operating lease with the Seeley-Swan Hospital District for use of a building and property in Seeley Lake to operate a federally qualified health center. The lease term is 15 years ending December 31, 2028, with monthly payments of $2,000. Rent payments are negotiable each January or if the available square footage of the building changes. The building was remodeled with a new agreement reached to increase monthly payments to $3,500 effective April 1, 2015. Rent increased August 1, 2017 to $5,000 per month. During 2019 and 2018, the Center paid $60,000 and $58,500, respectively in rent for this lease.

In April 2016, the health clinic in Superior, Montana moved to a new location. The Center entered into a lease agreement in March 2016 with Mineral Regional Health Center, Inc. (MRHC) with rent for the space to be paid monthly in the amount of $5,000 beginning April 1, 2016 and ending June 30, 2018. The rent was renegotiated and increased to $5,250 from October 15, 2018 through February 28, 2019. After the center discontinued medical services in Superior, the center renegotiated a month to month rental rate based upon one-half occupancy of the building. The new rental rate effective March 1, 2019 was $2,698. The total paid to MRHC during fiscal year 2019 and 2018 was $51,917 and $60,000, respectively. Mineral Community Hospital assumed ownership of the building in July 2019 and the Center has continued with the month to month rental rate of $2,698.

7. RELATED PARTY TRANSACTIONS

At June 30, 2019 and 2018, the Center owed Missoula County $1,500,000 and $1,655,000, respectively, on long-term advances of funds for the purchase and construction of capital assets. Payments to Missoula County totaled $224,737 and $214,768 for fiscal years 2019 and 2018, respectively, for principal and interest payments on long-term debt.

The Center received $212,960 and $200,623 during 2019 and 2018, respectively, from Missoula County from a grant to provide services to the underserved in Missoula County. The Center also billed Missoula County $16,168 and $18,456 for detention center dental services for fiscal year 2019 and 2018, respectively.

In 2019 and 2018, respectively, the Missoula City-County Health Department passed through $166,840 and $183,524 in grant funds to the Center. These payments were for mutual coordination of the delivery of breast, cervical and colorectal cancer screening services. The initial funding for this program comes from a grant from the Montana Cancer Control Program.

7. RELATED PARTY TRANSACTIONS (Continued)

The Center purchased the land and building located at 323 West Alder Street, Missoula that had been previously leased from Missoula County on June 30, 2019 for $1,394,912. The County provided $500,000 in support to the Center to facilitate physical expansion and the hiring of additional staff for the expansion of services witnessed through a Memorandum of Understanding.

8. RETIREMENT PLAN

The Center follows Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The standard requires the Center to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) including their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources associated with pensions. The following notes include information regarding the state administered pension plan as a whole and the Center's proportionate share of the plan's activities.

Plan Description

The Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and Defined Contribution Retirement Plan (PERS-DCRP) are both administered by the Montana Public Employee Retirement Administration (MPERA), are multiple-employer, cost-sharing plans established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). These plans cover the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

Member rates for the PERS-DCRP are established by state law and can only be amended by the Legislature. Benefits depend on eligibility and individual account balances. Participants are immediately vested in their own contributions and attributable income. Participants are vested after 5 years of membership services for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

As of June 30, 2019 and 2018, PERS-DCRP contribution rates are the same as noted below for the PERS-DBRP. Of the employer contribution, .04% supports the defined contribution education fund, .30% is allocated to the long-term disability plan, and the remainder is deposited in the employees' retirement account. The Center has estimated pension expense related to the PERS-DCRP as $105,856 and $94,274 for fiscal year 2019 and 2018, respectively.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the state legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Information regarding the PERS-DBRP follows.

8. RETIREMENT PLAN (Continued)

Summary of Benefits

Eligibility for Benefits

Service Retirement:
Hired prior to July 1, 2011:
- Age 60, 5 years of membership service;
- Age 65, regardless of membership service; or
- Any age, 30 years of membership service.

Hired on or after July 1, 2011:
- Age 65, 5 years of membership service;
- Age 70, regardless of membership service.

Early Retirement (actuarially reduced):
Hired prior to July 1, 2011:
- Age 50, 5 years of membership service; or
- Any age, 25 years of membership service.

Hired on or after July 1, 2011:
- Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):
Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
- A refund of member's contributions plus return interest (.77% effective July 1, 2017)
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service.

8. RETIREMENT PLAN (Continued)

Member's Highest Average Compensation (HAC)

Hired prior to July 1, 2011: Highest average compensation during any consecutive 36 months.
Hired on or after July 1, 2011: Highest average compensation during any consecutive 60 months.

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly Benefit Formula

Hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- For members hired on or after July 1, 2013:
    - 1.5% for each year PERS-DBRP is funded at or above 90%;
    - 1.5% reduced by 0.1% for each 2% PERS-DBRP is funded below 90%; and
    - 0% whenever the amortization period for PERS-DBRP is 40 years or more.

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and are remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan.

8. RETIREMENT PLAN (Continued)

Member contributions to the system

Plan members are required to contribute 7.90% of compensation. Contributions are deducted from each member's salary and remitted by participating employers. The 7.90% member contribution rate is temporary and will be decreased to 6.9% following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

Employer contributions to the system

- State and University System employers are required to contribute 8.57% of members' compensation for fiscal year 2018, increased to 8.67% for fiscal year 2019.
- Local government entities are required to contribute 8.47% of members' compensation for fiscal year 2018, increased to 8.57% for fiscal year 2019.
- School district employers contribute 8.20% of members' compensation for fiscal year 2018, increased to 8.30% for fiscal year 2019.
- Following the 2013 legislative session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
- Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Non-Employer Contributions

Special Funding – The State contributes 0.1% of members' compensation on behalf of local government entities and 0.37% of members' compensation on behalf of school districts. The State also contributed a statutory appropriation from the General fund of $33,454,182 during fiscal year 2018.

Plan Financial Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, 406-444-3154 or both are available on the MPERA website at http://mpera.mt.gov.

8. RETIREMENT PLAN (Continued)

Actuarial Assumptions

There were several significant assumptions and other inputs used to measure total pension liability. The actuarial assumptions used in the June 30, 2017 and 2018 valuations were based on the results of the latest actuarial experience study, dated May 2017 for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

Investment Return	7.65%
Admin Expense as % of Payroll	0.26%
General Wage Growth*	3.50%
*Includes inflation rate of	2.75%
Merit Increases	0% to 4.80%

Guaranteed Annual Benefit Adjustment – see summary of benefits section above.

Mortality assumptions among contributing members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year. Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate

The discount rate used to measure Total Pension Liability for the June 30, 2018 and 2017 valuations was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Public Employees Retirement Board's funding policy, which established the contractually required rates under Montana Code Annotated. The State contributed 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2021, based on the June 30, 2018 and 2017 valuations. Therefore, the municipal bond rate was not required to be incorporated into the discount rate. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

8. RETIREMENT PLAN (Continued)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the Plan. The most recent experience study, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 was used for the June 30, 2018 and 2017 valuations, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of June 30, 2018 and 2017, are summarized in the table below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.6%	4.00%	0.11%
Domestic Equity	36.0%	4.55%	1.64%
Foreign Equity	18.0%	6.35%	1.14%
Fixed Income	23.4%	1.00%	0.23%
Private Equity	12.0%	7.75%	0.93%
Real Estate	8.0%	4.00%	0.32%
Total			4.37%
Inflation			2.75%
Portfolio Return Expectation			7.12%

Sensitivity Analysis

The following table discloses the sensitivity of Net Pension Liability to changes in the discount rate, showing Net Pension Liability calculated using the discount rate, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Center's Proportionate Share of Net Pension Liability	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
June 30, 2018	$ 18,685,550	$ 12,829,830	$ 7,914,395
June 30, 2019	16,727,538	11,565,803	7,328,088

8. RETIREMENT PLAN (Continued)

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, the fiduciary net position, and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all accounting principles generally accepted in the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability. As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2018 and 2017, was determined by taking the results of the June 30, 2017 and 2016, respectively, actuarial valuations and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure includes the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

In accordance with GASB Statement No. 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

At June 30, 2019 and 2018, the Center recorded a liability of $11,565,803 and $12,829,830, respectively, for its proportionate share of the Net Pension Liability. The Center's proportion of the Net Pension Liability was based on the Center's contributions of $928,620 and $812,916, received by PERS during the measurement period of July 1, 2017 through June 30, 2018 and July 1, 2016 through June 30, 2017, respectively, relative to total Missoula County PERS employer contributions. At June 30, 2018 and 2017, the Center's proportion relative to all PERS participating employers was 0.5541% and 0.6587%, respectively. The Center's proportionate share decreased .1046% and increased .0390% from fiscal year 2017 to 2018 and from fiscal year 2016 to 2017, respectively.

8. RETIREMENT PLAN (Continued)

	Net Pension Liability		
	June 30, 2019	June 30, 2018	June 30, 2017
Center's Proportionate Share	$ 11,565,803	$ 12,829,830	$ 10,556,020
State of Montana Proportionate Share Associated with Center	3,873,286	171,687	128,982
Total	$ 15,439,089	$ 13,001,517	$ 10,685,002

Changes in actuarial assumptions and methods:
Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses were recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in benefit terms:
Effective July 1, 2017, the following benefit changes were used:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Pension Expense

At June 30, 2019 and 2018, the Center recognized pension expense of $1,412,549 and $1,845,377, respectively, for its proportionate share of the PERS' pension expense, which included $258,499 and $192,686, respectively, the share associated with the State of Montana. The pension expense associated with the State of Montana was offset by revenue of $258,499 and $192,686, respectively.

8. RETIREMENT PLAN (Continued)

Recognition of Deferred Outflow and Inflows of Resources

At June 30, 2019, the Center reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. Expected Experience	$ 879,502	$ -
Actual vs. Expected Investment Earnings	-	179,617
Changes in Assumptions	983,498	-
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	1,657,964
Contributions paid to PERS subsequent to the measurement date of June 30, 2018 (Fiscal Year 2019 Contributions) *	822,764	-
Total	$ 2,685,764	$ 1,837,581

At June 30, 2018, the Center reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. Expected Experience	$ 315,958	$ 18,570
Actual vs. Expected Investment Earnings	-	86,166
Changes in Assumptions	1,753,704	-
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	440,865	-
Contributions paid to PERS subsequent to the measurement date of June 30, 2017 (Fiscal Year 2018 Contributions) *	719,310	-
Total	$ 3,229,837	$ 104,736

* Contributions are paid to PERS for both DBRP and DCRP, the plan provided the allocation of contributions for each plan for Missoula County as a whole, which was then allocated to the Center based on total contributions.

8. RETIREMENT PLAN (Continued)

For fiscal year 2019, amounts reported as deferred outflows of resources resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in fiscal year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	Increase (Decrease) in Pension Expense
2020	583,243
2021	206,136
2022	(690,154)
2023	(73,806)
	$ 25,419

9. POSTEMPLOYMENT BENEFITS

The Center implemented Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) that are provided to the employees of state and local governments, establishing standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses/expenditures. For defined benefit OPEB plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of this statement resulted in a restatement of beginning net position of $418,552 in fiscal year 2018.

The Center participates in the Missoula County Employee Benefits Plan, which is a multiple-employer defined benefit postemployment benefits plan sponsored and administered by Missoula County. Plan benefits and contributions are established and may be amended by the County's Board of County Commissioners. The postemployment benefits plan is reported as an agency fund in the Missoula County comprehensive annual financial report, which may be obtained from Missoula County at 200 West Broadway, Missoula, Montana 59802.

The County has not created a trust to accumulate assets for the plan, so costs are financed on a pay-as-you-go basis. The plan provides medical, dental, and vision coverage to retirees with the retiree paying the same premiums as current employees. Retiree age-adjusted premiums are typically higher than premiums for current employees, resulting in an 'implicit rate subsidy' for retirees that is paid as part of current employee premiums.

The plan covers Missoula County employees, including the Center, and also allows certain other governments and affiliated nonprofit agencies within Missoula County to participate in the plan. Retirees and eligible spouses and dependents may be covered by the plan. Access to coverage is available to employees eligible for retirement. Employees are eligible for retirement at age 50 with 5 years of service, or any age with 25 years of service.

9. POSTEMPLOYMENT BENEFITS (Continued)

The premiums paid by participants in the plan are determined by Missoula County on an annual basis. Continued medical, dental, and optical coverage is available for retirees for monthly participant contributions from $468 to $1,679 in 2019 and 2018, depending on coverage. Retirees choose between two medical options, a Standard Plan with a $500 deductible and a $3,500 out-of-pocket maximum and a High Deductible Plan with a $2,500 deductible and a $2,000 out-of-pocket maximum.

OPEB Liability

A roll forward actuarial valuation, dated and using a measurement date of June 30, 2019, calculated the collective total OPEB liability, deferred inflows of resources, deferred outflows of resources and activity for the plan as a whole, including participating outside agencies, for fiscal year 2019. An actuarial valuation, dated and using a measurement date of June 30, 2018 was used for fiscal year 2018 reporting. The Missoula County reporting unit, which includes discretely presented component units, represented 81.2% and 81.5% of the plan at June 30, 2019 and 2018, respectively, based on its proportionate share of the present value of future benefits. The Center's proportionate share of the Missoula County OPEB liability at June 30, 2019 and 2018 was calculated as $606,709 or 24%, and 569,931 or 22%, respectively, using a percentage of current participants in the health care plan.

OPEB Expense

During fiscal years 2019 and 2018, the Center recognized OPEB expense of $66,197 and $64,331, respectively.

Assumptions and Other Inputs

The collective total OPEB liability was calculated using the following assumptions and other inputs, applied to all periods included in the measurement, for both June 30, 2019 and 2018, except the discount rate:

Discount Rate for June 30, 2018 (S&P Municipal Bond 20 Year High Grade Rate Index as of July 2, 2018):	3.45%
Discount Rate for June 30, 2019 (S&P Municipal Bond 20 Year High Grade Rate Index as of July 1, 2019):	3.36%
Payroll Growth:	2.5%
General Inflation:	3.0%

Mortality Rate: RP-2000 Combined Mortality Table Projection AA Fully Generational

Termination Before Retirement: Crocker T-7 with mortality removed

9. POSTEMPLOYMENT BENEFITS (Continued)

Participation Rates:

- 25% of eligible employees are assumed to enroll in the plan.
- 36% of eligible employees are assumed to elect early retirement.
- 7% of those retiring at age 65 or greater are assumed to elect coverage.
- 62% of retirees electing medical coverage are assumed to enroll in the Standard Plan and 38% in the High Deductible Plan.
- Dental and vision coverage elections are assumed to be the same as current coverage.

Healthcare cost trend rate:

Year	% Increase
2018	6.2%
2019	6.0%
2020	5.8%
2021	5.6%
2022	5.4%
2023	5.2%
2024 and after	5.0%

Sensitivity Analysis

The following table discloses the sensitivity of the Authority's OPEB liability to changes in the discount rate and the healthcare cost trend rate, showing how the OPEB liability would change if the rates used were increased or decreased by 1%.

Center's OPEB Liability	1% Decrease 2.36%	Discount Rate 3.36%	1% Increase 4.36%
June 30, 2019	$ 753,630	$ 606,709	$ 496,956
June 30, 2018	703,505	569,931	469,850

Center's OPEB Liability	1% Decrease 5.2%	Healthcare Cost Trend Rate 6.2%	1% Increase 7.2%
June 30, 2019	$ 487,770	$ 606,709	$ 767,910
June 30, 2018	461,976	569,931	715,502

9. POSTEMPLOYMENT BENEFITS (Continued)

Changes in Assumptions

The following shows the assumption changes from the previous measurement date of June 30, 2016 to the June 30, 2018 measurement date:

Assumption	Description of Change
Discount Rate	Decreased from 3.5% to 3.45%.
Retiree Participation Rate	Retirees electing Standard Plan was increased from 58% to 62%. Eligible enrollees assumed to elect early retirement was decreased from 60% to 36%. Percentage of those retiring at age 65 or greater that elect coverage was increased from 0.4% to 7.0%.
Spouse Participation Rate	Spouse participation rate was reduced from 39% to 33%.
Mortality Rate	Mortality table changed to show mortality improvements on a fully generation basis.
Payroll Trend Rate	Included in current valuation at rate of 2.5%.
Medical Trend Rate	Trend assumption for medical claims was reduced from 8% grading down to 5% to 6.2% grading down to 5%.

The only assumption change from the June 30, 2018 to the June 30, 2019 measurement date was the decrease in the discount rate from 3.45% to 3.36 %.

Deferred Inflows and Outflows of Resources
Differences between expected and actual experience in the measurement of the OPEB liability resulted in deferred inflows of resources of $116,191 and $90,040, respectively, for fiscal years 2019 and 2018. Deferred outflows of resources due to changes in assumptions and other inputs totaled $91,505 and $94,773, for fiscal years 2019 and 2018, respectively.

The net amounts reported as deferred outflows and inflows of resources for OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Increase (Decrease) in OPEB Expense
2020	$ (3,277)
2021	(3,277)
2022	(3,277)
2023	(3,277)
2024	(3,277)
2025-2027	(8,301)
	$ (24,686)

9. POSTEMPLOYMENT BENEFITS (Continued)

Complete information regarding Missoula County's postemployment benefits is available in the County's comprehensive annual financial report.

10. SUBSEQUENT EVENTS

The Center is in the planning stages of expanding operations to a site located at the Missoula Food Bank.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Center had not yet suffered material adverse impact from the CV19 Crisis. The future impact of the CV19 Crisis on the Center, cannot be reasonably estimated at this time.

Required Supplementary Information

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
and SCHEDULE OF PENSION CONTRIBUTIONS
For the Last Ten Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability

	2019	2018	2017	2016	2015
Center's proportionate share of net pension liability (as a percentage)	0.5541%	0.6587%	0.6197%	0.5087%	0.4888%
Center's proportionate share of net pension liability	$ 11,565,803	$ 12,829,830	$ 10,556,020	$ 7,111,528	$ 6,090,534
State of Montana proportionate share of net pension liability associated with the Center	3,873,286	171,687	128,982	87,353	74,375
Total	$ 15,439,089	$ 13,001,517	$ 10,685,002	$ 7,198,881	$ 6,164,909
Center's covered payroll, based on plan measurement date **	$ 8,516,414	$ 7,712,141	$ 6,556,883	$ 5,937,093	$ 5,533,238
Center's proportionate share of the net pension liability as a percentage of covered payroll	135.8%	166.4%	161.0%	119.8%	110.1%
Plan fiduciary net position as a percentage of total pension liability	0.0%	73.8%	74.7%	78.4%	79.9%

Schedule of Pension Contributions

	2019	2018	2017	2016	2015
Contractually required contributions	$ 822,764	$ 719,310	$ 645,534	$ 576,174	$ 520,051
Contributions recognized by the plan	822,764	719,310	645,534	576,174	520,051
Contribution difference	$ -	$ -	$ -	$ -	$ -
Center's covered payroll, based on Center's fiscal year **	$ 9,600,560	$ 8,516,414	$ 7,712,141	$ 6,556,883	$ 5,937,093
Contributions as a percentage of covered payroll	8.6%	8.4%	8.4%	8.8%	8.8%

** The amounts presented above for each fiscal year were determined as of June 30th. The schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

*** The covered payroll for Missoula County is allocated to participating component units such as the Center, based on a ratio of total PERS contributions.*

1. CHANGES IN BENEFIT TERMS

The following are factors that affect trends in the amounts reported.

2015 Legislative Changes:
General Revisions in House Bill 101, effective January 1, 2016
Second Retirement Benefit – Applies to PERS members who return to active service on or after January 1, 2016.

Revise Defined Contribution Plan Funding Laws in House Bill 107, effective July 1, 2015
Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes:
General Revisions in House Bill 101, effective July 1, 2017

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

2. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

The following are factors that affect trends in the amounts reported.

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses were recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
SCHEDULE OF PROPORTIONATE SHARE OF
POSTEMPLOYMENT BENEFITS LIABILITY
For the Last Ten Fiscal Years*

	Fiscal Year Ended	
	June 30, 2019	June 30, 2018
Center's proportionate share of postemployment benefits liability (as a percentage)	24%	22%
Center's proportionate share of postemployment benefits liability	$ 606,709	$ 569,931
Center's covered payroll	$ 9,156,038	$ 8,905,659
Center's proportionate share of postemployment benefits liability as a percentage of covered payroll	6.63%	6.40%

Note to Schedule: Assets are not accumulated in a trust to pay related benefits.

** The amounts presented above for each fiscal year were determined as of June 30th. Schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

PROGRAM/GRANTOR AGENCY AND PROGRAM TITLE	GRANTOR/ PASS-THROUGH AWARD NUMBER	CFDA NUMBER	TOTAL FEDERAL EXPENDITURES	SUBRECIPIENT DISBURSEMENTS
U.S. Department of Health & Human Services				
Direct Programs:				
Health Center Program Cluster - Health Center Program	H80CS00528	93.224	$ 1,953,669	$ -
Health Center Program Cluster - Grants for New and Expanded Services under the Health Center Program	H80CS00528	93.527	3,286,773	-
Passed through Montana Primary Care Association				
Health Center Program Cluster - Grants for New and Expanded Services under the Health Center Program	H2QCS30246	93.527	36,850	-
Subtotal Health Center Program Cluster			5,277,292	-
Direct Programs:				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	H76HA00798	93.918	302,563	12,734
Passed through Montana Department of Public Health and Human Services:				
HIV Care Formula Grants	18-07-4-51-104-0	93.917	108,711	-
HIV Care Formula Grants	19-07-4-51-104-0	93.917	41,056	-
Subtotal HIV Care Formula Grants			149,767	-
HIV Prevention Activities Health Department Based	18-07-4-51-008-0	93.940	20,814	-
HIV Prevention Activities Health Department Based	18-07-4-51-008-0	93.940	18,497	-
Subtotal HIV Prevention Activities Health Department Based			39,311	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	18-12-1-01-004-0	93.566	48,883	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	19-12-1-01-004-0	93.566	128,775	-
Subtotal Refugee and Entrant Assistance State/Replacement Designee Administered Programs			177,658	-

PARTNERSHIP HEALTH CENTER
(A Component Unit of Missoula County, Montana)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2019

PROGRAM/GRANTOR AGENCY AND PROGRAM TITLE	GRANTOR/ PASS-THROUGH AWARD NUMBER	CFDA NUMBER	TOTAL FEDERAL EXPENDITURES	SUBRECIPIENT DISBURSEMENTS
Passed through Missoula City-County Health Department:				
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	19-07-3-01-142-0	93.898	114,811	-
Organized Approaches to Increase Colorectal Cancer Screening	18-07-3-01-142-0	93.800	27,282	-
Opioid STR	18-07-3-01-142-0	93.435	24,747	-
Passed through Western Montana Mental Health Center/Recovery Center of Missoula:				
State Targeted Response to the Opioid Crisis Grants	17-332-74503-6	93.788	16,461	-
Total U.S. Department of Health & Human Services			6,129,892	12,734
Total Federal Financial Assistance			$ 6,129,892	$ 12,734

See accompanying notes to the Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule is presented on the cash basis of accounting. Accordingly, federal expenditures are recognized when a warrant is issued rather than when the obligation is incurred.

2. SUBRECIPIENTS

Partnership Health Center passed through federal awards to subrecipients during the year ended June 30, 2019, on the cash basis, as follows:

Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA No. 93.918) passed-through $12,576 to Flathead City-County Health Department and $158 to PureView Health Center, Helena, Montana.

3. PROGRAM CLUSTERS

The Health Center Program Cluster consists of CFDA 93.224 and 93.527. The program cluster is treated as one program for major program determination and testing.

4. INDIRECT COST RATE

The Center generally does not use an indirect cost rate, therefore they have not elected to use the 10% de minimis indirect cost rate.

WIPFLi LLP

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Partnership Health Center
Missoula, Montana

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Partnership Health Center (the Center) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 18, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Missoula, Montana
September 18, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Partnership Health Center
Missoula, Montana

Report on Compliance for Each Major Federal Program

We have audited Partnership Health Center (the Center) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Partnership Health Center's major federal programs for the year ended June 30, 2019. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned cost as item 2019.001. Our opinion on each major federal and state program is not modified with respect to this matter.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Missoula, Montana
September 18, 2020

Section I: Summary of Auditor's Results
Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	____ Yes	X No
Are any significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None Reported
Is any noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major program compliance:

Are any material weaknesses identified?	____ Yes	X No
Are any significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None Reported
Are any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]	X Yes	___ No

Identification of major programs:

CFDA Number and Name of Federal Program or Cluster

93.224, 93.527	Health Center Program Cluster

Enter the dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Is the auditee qualified as a low-risk auditee?	X Yes	___No

Section II: Financial Statement Findings

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III: Federal Award Findings

Finding 2019.001	U.S. Department of Health and Human Services CFDA#93.224/93.527 Health Centers Program Cluster
Condition:	The Center did not properly maintain documentation to support the qualification and sliding fee discounts received and did not properly calculate the sliding fee discount in accordance with their policy.
Criteria:	According to the Health Center Program Compliance Manual Chapter 9: *Sliding Fee Discount Program*, a health center is required to have operating procedures for assessing/re-assessing all patients for income and family size consistent with board-approved sliding fee discount program policies.
Cause:	In our testing of patients receiving discounts under the Center's sliding fee schedule, 4 of 50 patients selected for testing had an incorrect discount calculated based on the patient's income and family size. The Center's sliding fee discount program requires that applicants complete and sign the application to be considered for the sliding fee discount program and must have adequate information to determine their sliding fee discount eligibility.
Effect:	Discounts may be given to patients not eligible to receive a discount, or incorrect discounts may be provided for patients eligible to receive a discount.
Recommendation:	We recommend the Center periodically review patients receiving discounts under the sliding fee schedule program to ensure that applications and income support have been obtained in accordance with the Center's policies and that the proper sliding fee discount in being calculated.

Section IV: Current Status of Prior Year Findings

There were no prior year findings required to be reported in accordance with *Government Auditing Standards*.