

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon

**INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2010



BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**BOARD OF DIRECTORS AND OFFICIALS**  
June 30, 2010

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Jack Southworth	Chairman
Chris Labhart	Vice-Chairman
Judy Schuette	Secretary
Steve McKern	Director
Amy Kreger	Director
Larry Pierce	Director
Virginia Miller	Director

ADMINISTRATIVE STAFF

Robert Houser (Brim Healthcare)	Chief Executive Officer
Judy Martin	Nursing Home Administrator
Sam Grant (Brim Healthcare)	Chief Financial Officer
Keith J. Thomas, M.D.	Chief of Staff
Daniel L. Cronin	Legal Counsel
Daniel L. Cronin 235 S. Canyon Blvd. John Day, OR 97845	Registered Agent

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**TABLE OF CONTENTS**  
June 30, 2010

PAGE

Independent Auditors' Report.....	1
Management’s Discussion and Analysis .....	2-7

BASIC FINANCIAL STATEMENTS

Statement of Assets, Liabilities, and Net Assets .....	8-9
Statement of Revenues, Expenses, and Changes in Net Assets.....	10
Statement of Cash Flows .....	11-12
Notes to Financial Statements .....	13-21

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule of Revenues, Expenses and Changes in Net Assets – General Fund Actual to Budget.....	22
Notes to Required Supplementary Information – Budgetary Reporting .....	23

OTHER SUPPLEMENTARY INFORMATION

General Fund Divisions	
Combining Schedule of Assets, Liabilities, and Net Assets.....	24-25
Combining Schedule of Revenues, Expenses, and Changes in Net Assets.....	26
Combining Schedule of Cash Flows .....	27-28
Schedule of Patient Service Revenue .....	29
Schedule of Deductions From Patient Service Revenue .....	30
Schedule of Other Operating Revenue .....	31
Schedule of Operating Departments Expenses.....	32
Schedule of Service Departments Expenses.....	33
Schedule of Administrative and General Departments Expenses .....	34
Schedule of Revenues, Expenses, and Changes in Net Assets-Actual to Budget	
General Fund Hospital Division.....	35
General Fund Nursing Home Division.....	36
Schedule of Property Tax Transactions.....	37

COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON

Audit Comments and Disclosures Required by Oregon State Regulations.....	38-39
Summary of Revenues and Expenditures – Oregon Secretary of State.....	40

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41-42
--	-------



Certified Public Accountants, PC

Robert M. Armstrong, CPA  
George W. Wilber, CrFA, CPA  
Mary Jo Evers, CFE, CPA

Brian R. Whitman, CPA  
Kari J. Ott, CPA  
Cara R. Wilber, CPA  
Arlie W. Oster, CPA (1931-1998)

**INDEPENDENT AUDITOR’S REPORT**

Board of Directors  
Blue Mountain Hospital District  
Grant County, Oregon

We have audited the accompanying statements of assets, liabilities, and net assets of Blue Mountain Hospital District as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Blue Mountain Hospital District management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the district’s 2009 financial statements and, in our report dated October 13, 2009, we expressed unqualified opinions on the respective financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Mountain Hospital District as of June 30, 2010 and 2009, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated October 7, 2010 on our consideration of the district’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management’s discussion and analysis, as listed in the table of contents is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements of the district taken as a whole. The combining and individual fund financial statements, budgetary comparison schedules, and the supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Oster Professional Group, CPA’s, PC*

John Day, Oregon  
October 7, 2010

By Robert M. Armstrong

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010

***Introduction***

This management's discussion and analysis of Blue Mountain Hospital District's (the district) financial performance provides an overview of the district's financial activities for the fiscal year ended June 30, 2010. Please read this analysis in conjunction with the district's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relates solely to the district.

***Financial Highlights***

- The district's net assets increased in 2010 by approximately \$190,270.
- The district's cash and cash equivalents decreased in 2010 by approximately \$222,537.
- Operating revenue increased by approximately \$822,409 in 2010 compared to 2009.
- Net non-operating revenues and expenses increased by approximately \$50,441 in 2010 compared to 2009.

***New Services and Programs***

- Home Health/Hospice moved to new location.
- Hired replacement of Payroll/Accounts Payable employee.
- Continuation of computer conversion to accomplish order entry and electronic medical records for patients.
- Re-opened satellite clinics in Monument and Long Creek.
- Expanded Physical Therapy treatment area.

***Using this Annual Report***

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the district's financial activities.

The district's financial statements consist of three statements – Statement of Assets, Liabilities, and Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows. These statements provide information about the financial activities of the district, including resources held by the district but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The district is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the Basic Financial Statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the district's budget for the year.

Other Supplementary Information provides detailed information about the operations of the district.

***Reporting the District's Financial Activities***

*Statement of Assets, Liabilities, and Net Assets and Statement of Revenues, Expenses and Changes in Net Assets*

One of the most important questions to ask about the finances is, "Is the district, as a whole better or worse off as a result of the year's activities?" The Statement of Assets, Liabilities, and Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the district's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010

These two statements report the district's net assets and changes in them. You can think of the net assets – the difference between assets and liabilities as one way to measure the district's financial health, or financial position. Over time, increases or decreases in the net assets are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other non-financial factors, such as changes in the patient base, payer mix, and measures of quality of service it provides to the community, as well as local economic factors to assess the overall health of the district.

*The Statement of Cash Flows*

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing activities, non-capital financing activities and capital and related financing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

***Financial Analysis of the District***

As noted earlier, net assets may serve over time as a useful indicator of financial position. The district's net assets are the difference between its assets and liabilities reported in the Statement of Assets, Liabilities, and Net Assets. The net assets increased in 2010 by approximately \$190,270 as shown in Table 1.

***Table 1: Assets, Liabilities and Net Assets***

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Cash and investments	\$ 44,534	\$ 315,283
Patient accounts receivable, net	2,890,130	3,321,960
Other receivables, net	407,916	201,509
Inventories	256,719	227,517
Prepaid expenses and other current assets	224,885	189,735
Property, plant, and equipment, net	8,721,630	9,330,983
Other assets	278,931	230,719
Total assets	<u>\$ 12,824,745</u>	<u>\$ 13,817,706</u>
<b>Liabilities</b>		
Long-term debt outstanding	\$ 5,612,551	\$ 6,035,402
Accounts and notes payable	411,587	1,196,076
Accrued payroll related liabilities	1,196,825	1,120,129
Other current liabilities	255,692	308,279
Total liabilities	<u>7,476,655</u>	<u>8,659,886</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	3,109,079	3,295,581
Restricted	278,931	230,719
Unrestricted	1,960,080	1,631,520
Total net assets	<u>5,348,090</u>	<u>5,157,820</u>
Total liabilities and net assets	<u>\$ 12,824,745</u>	<u>\$ 13,817,706</u>

The most noteworthy change in the district's assets is the decrease in Patient accounts receivable. The primary reason for the decrease in this account was the collections of patient accounts from billing working more smoothly, which has increased our cash received in the current year. The increase in our cash receipts enabled the district to pay down accounts payable. The increase in timely cash receipts (few days in AR) will continue to improve now that the Phase III of the conversion is complete.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010

***Operating Results and Changes in Net Assets***

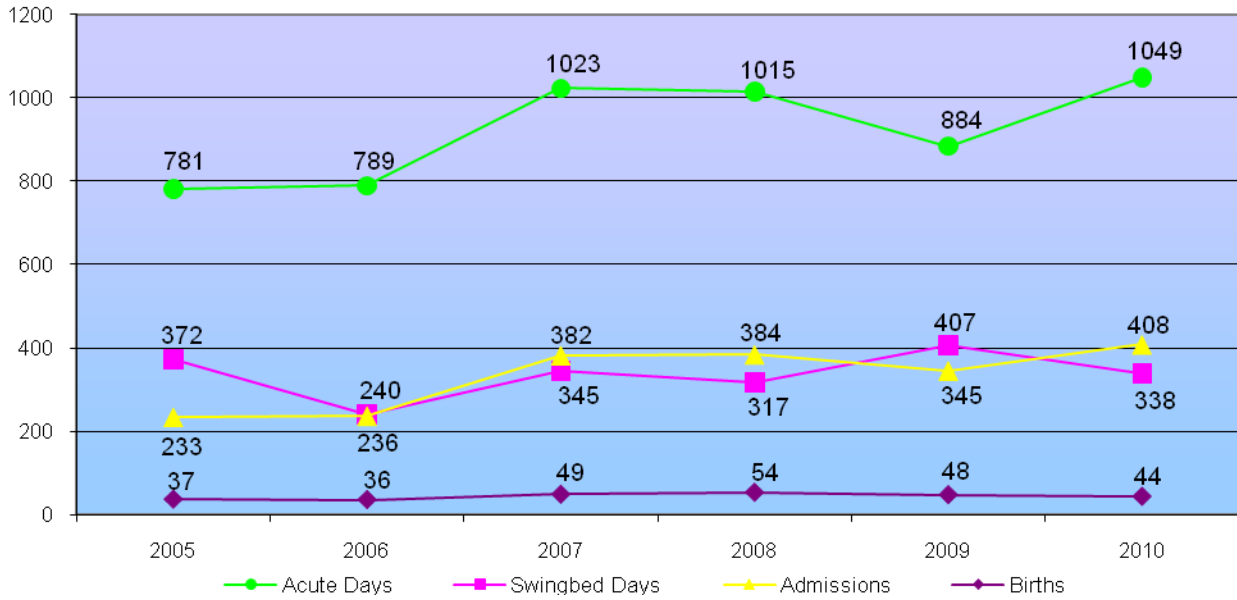
As mentioned above, in 2010 the district's net assets increased by \$190,270 as shown in Table 2.

***Table 2: Operating Results and Changes in Net Assets***

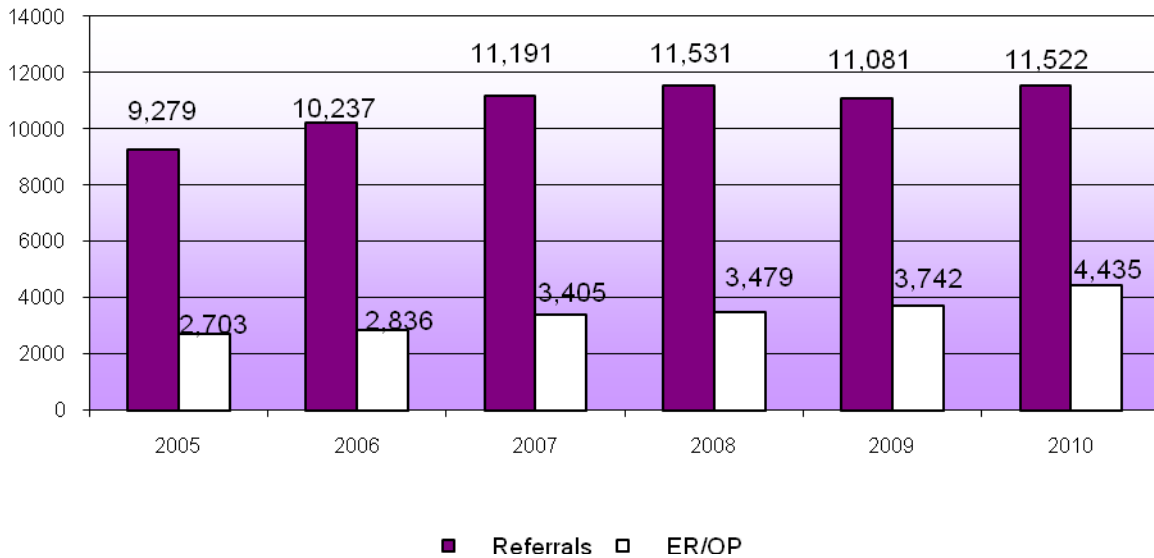
	<u>2010</u>	<u>2009</u>
Operating revenues		
Net patient service revenues, net of adjustments and allowances	\$ 14,507,391	\$ 13,674,640
Other operating revenue	<u>229,993</u>	<u>240,335</u>
Total operating revenue	<u>14,737,384</u>	<u>13,914,975</u>
Operating expenses		
Salaries, benefits and contract labor	10,716,880	9,761,599
Purchased services and professional fees	1,199,259	1,775,477
Medical supplies	1,339,739	1,252,718
Utilities	327,508	320,374
Repairs and maintenance	441,045	350,802
Insurance	146,567	154,070
Other expense	895,116	905,417
Depreciation	<u>928,930</u>	<u>908,221</u>
Total operating expenses	<u>15,995,044</u>	<u>15,428,678</u>
Operating loss	<u>(1,257,660)</u>	<u>(1,513,703)</u>
Nonoperating revenue (expenses)		
Property tax receipts	924,546	896,969
Donations	32,136	242,822
Interest expense	(272,318)	(283,261)
Other nonoperating revenue (expenses)	<u>188,815</u>	<u>(33,792)</u>
Total nonoperating revenue (expenses)	<u>873,179</u>	<u>822,738</u>
Excess of revenues over expenses before special purpose tax	(384,481)	(690,965)
Special purpose tax for bond retirement	<u>574,751</u>	<u>506,917</u>
Increase (decrease) in net assets	190,270	(184,048)
Net assets at beginning of year	<u>5,157,820</u>	<u>5,341,868</u>
Net assets at end of the year	<u>\$ 5,348,090</u>	<u>\$ 5,157,820</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
 Grant County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2010

**Blue Mountain Hospital Inpatient Statistics**



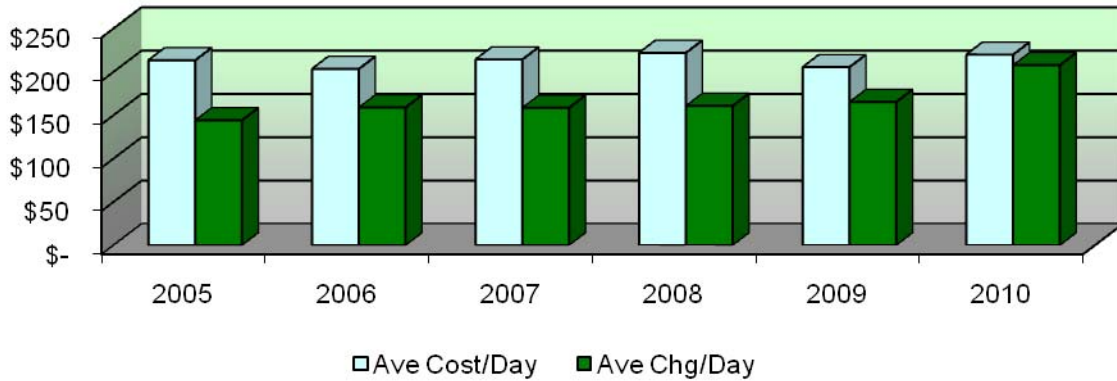
**Blue Mountain Hospital Outpatients**



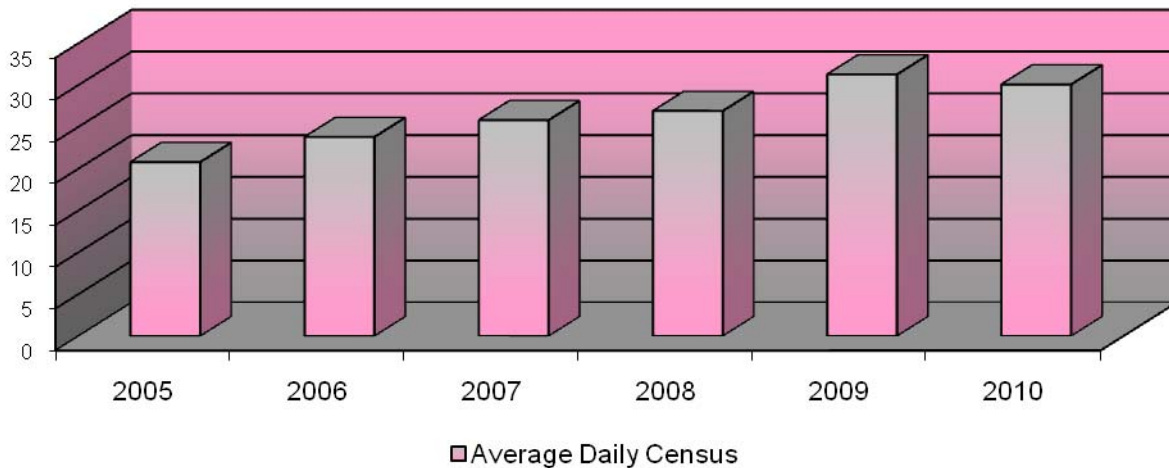


BLUE MOUNTAIN HOSPITAL DISTRICT  
 Grant County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2010

**Blue Mountain Nursing Home**



**Blue Mountain Nursing Home**



***Operating Income***

The first component of the overall change in the district's net assets is its operating income (loss), generally, the difference between net patient service revenue and the expenses incurred to perform those services. In fiscal year 2010, the district's operating loss decreased from the same period in 2009.

Net patient service revenues increased from approximately \$13.6 million to approximately \$14.5 million in fiscal year 2010, an increase of 6.4%. This increase is partially attributed to the 3% rate increase for the year. Utilization statistics indicate that acute inpatient days increased 18.7% in fiscal year 2010 compared to fiscal year 2009, long-term care days decreased 3.8% and swing bed days decreased 17.0%. Total outpatient visits increased 8.0% between 2009 and 2010, which included outpatient surgeries that were down 10.2% from last year. This overall decreased volume can be attributed to the loss of two family practice physicians.

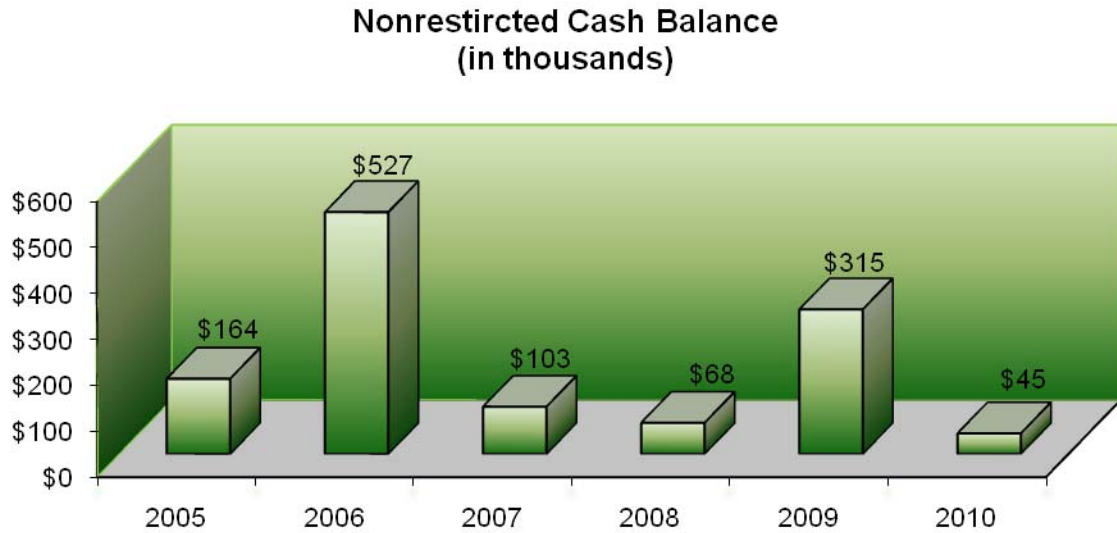
BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010

Operating expenses grew by 3.7% from fiscal year 2009 to fiscal year 2010. This increase was primarily attributable to increases in salary and benefits. Increases in salary expenses reflect market inflation and increased staffing and outpatient volumes. Management of the district continues to monitor expenses associated with the delivery of care.

***Non-operating Revenues and Expenses***

Non-operating revenues and expenses consist primarily of tax district revenue, donations, bond revenue and other expense/revenue. The increase in non-operating revenue was mainly due to the sale of the CONET stock. Tax district revenue is allocated to the district for the purpose of off-setting a portion of the losses taken due to contractals, bad debts, charity care and the purchase of equipment.

***The District's Cash Flows***



Changes in the district's operating cash flows are consistent with changes in operating income and non-operating revenues and expenses, discussed earlier.

***Capital Asset and Debt Administration***

***Capital Assets***

Capital equipment assets purchased or donated were approximately \$319,577.

***Debt***

At June 30, 2010, the district had approximately \$5,475,000 in outstanding General Obligation Bonds, Series 2001.

***Contacting the District's Financial Management***

This financial report is designed to provide our patients, suppliers, investors and creditors with a general overview of the district's finances and to the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Samuel Grant, 170 Ford Road, John Day, Oregon 97845.

BASIC FINANCIAL STATEMENTS

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS**  
June 30, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 44,534	\$ 308,208
Investments	-	7,075
Accounts receivable		
Gross patient accounts receivable	3,632,872	4,151,561
Less bad debt and allowance reserves	(742,742)	(829,601)
Property taxes	235,280	223,899
Less allowance for uncollectible	(23,528)	(22,390)
Due from sale of COIHS stock	196,164	-
Inventory of supplies	256,719	227,517
Prepaid expenses	161,467	126,350
Other current assets	63,418	63,385
Total current assets	3,824,184	4,256,004
Property, plant, and equipment		
Land	31,093	31,093
Buildings	11,102,157	11,026,160
Equipment	4,836,901	4,593,321
Total	15,970,151	15,650,574
Less accumulated depreciation	(7,248,521)	(6,319,591)
Net property, plant, and equipment	8,721,630	9,330,983
Restricted assets		
Cash caregiver groups	9,310	21,183
Cash home health and hospice	62,892	45,920
Cash ambulance	8,879	7,047
Cash bonded debt	152,502	138,702
Cash memorial fund	8,315	7,901
Cash nursing home residents	1,675	2,589
Cash vision dental premium	35,358	7,377
Total restricted assets	278,931	230,719
Total assets	\$ 12,824,745	\$ 13,817,706

See accompanying notes to the financial statements

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 381,263	\$ 502,088
Accounts payable line of credit	-	582,633
Current portion of long-term debt	387,132	535,294
Accrued liabilities		
Salaries and wages	396,039	356,214
Payroll taxes payable	346,119	325,726
Vacations payable	454,667	438,189
Due to caregiver groups	9,310	21,183
Due to Medicare/Medicaid	107,934	167,189
Accrued bond interest payable	110,625	115,495
Other accrued liabilities	27,823	4,412
Total current liabilities	<u>2,220,912</u>	<u>3,048,423</u>
Long-term debt		
Bonds payable	5,475,000	5,750,000
Equipment lease purchase payable	137,551	285,402
Other non-current liabilities	30,324	111,355
Less current portion of long-term debt	<u>(387,132)</u>	<u>(535,294)</u>
Total long-term debt	<u>5,255,743</u>	<u>5,611,463</u>
Total liabilities	<u>7,476,655</u>	<u>8,659,886</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,109,079	3,295,581
Restricted	278,931	230,719
Unrestricted	1,960,080	1,631,520
Total net assets	<u>5,348,090</u>	<u>5,157,820</u>
Total liabilities and net assets	<u>\$ 12,824,745</u>	<u>\$ 13,817,706</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues		
Gross patient service revenue		
Inpatient	\$ 3,916,564	\$ 3,491,903
Outpatient	12,896,727	11,797,058
Resident nursing home	2,280,188	1,886,702
Total gross patient service revenue	19,093,479	17,175,663
Less deductions from patient revenue	(4,586,088)	(3,501,023)
Net patient revenue	14,507,391	13,674,640
Other operating revenue	229,993	240,335
Total operating revenue	14,737,384	13,914,975
Operating expenses		
Salaries and wages	8,149,215	7,234,413
Employee benefits	2,054,637	1,989,822
Contracted labor	513,028	537,364
Professional fees	342,296	832,825
Other professional fees	83,995	63,254
Medical supplies	862,058	813,670
Supplies	477,681	439,048
Repairs and maintenance	441,045	350,802
Utilities	327,508	320,374
Purchased services	772,968	879,398
Contracted services	199,138	170,994
Insurance	146,567	154,070
Rent/lease	10,598	72
Depreciation	928,930	908,221
Other expense	685,380	734,351
Total operating expenses	15,995,044	15,428,678
Operating loss	(1,257,660)	(1,513,703)
Nonoperating revenue (expenses)		
Property tax receipts	924,546	896,969
Donations	32,136	242,822
Interest expense	(272,318)	(283,261)
Other nonoperating revenue (expenses)	188,815	(33,792)
Total nonoperating revenue (expenses)	873,179	822,738
Excess of revenues over expenses before special purpose tax	(384,481)	(690,965)
Special purpose tax for bond retirement	574,751	506,917
Increase (decrease) in net assets	190,270	(184,048)
Net assets at beginning of year	5,157,820	5,341,868
Net assets at end of the year	\$ 5,348,090	\$ 5,157,820

See accompanying notes to the financial statements

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating activities		
Receipts from and on behalf of patients	\$ 14,939,221	\$ 13,566,718
Payments to suppliers and contractors	(4,297,707)	(4,682,237)
Payments to employees	(10,127,156)	(9,130,204)
Other receipts and payments	(763,622)	314,029
Net cash used in operating activities	(249,264)	68,306
Noncapital financing activities		
Property taxes supporting operations	914,303	818,285
Net cash provided by noncapital financing activities	914,303	818,285
Capital and related financing activities		
Nonoperating income (expense)	(56,237)	121,213
Proceeds from line of credit	-	391,116
Proceeds from leases	59,230	-
Special purpose tax for debt retirement	574,751	537,560
Payment on bonds payable	(275,000)	(220,000)
Payments on line of credit	(582,633)	(793,217)
Payments on capital lease	(286,081)	(135,350)
Payments on other notes	(2,036)	-
Net cash provided by capital and related financing activities	(568,006)	(98,678)
Investing activities		
Capital investment	(319,570)	(588,237)
Net cash used in investing activities	(319,570)	(588,237)
Net increase (decrease) in cash and cash equivalents	(222,537)	199,676
Cash and investments, beginning of year	546,002	122,944
Cash and investments, end of year	\$ 323,465	\$ 322,620

Continued on next page

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,257,660)	\$ (1,661,592)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	928,930	986,813
(Increase) decrease in		
Patient accounts receivable, net	431,830	793,531
Other current assets	(260,517)	126,671
Increase (decrease) in		
Accounts payable and accrued expenses	(120,825)	(163,109)
Accrued payroll liabilities	76,696	-
Other current liabilities	(47,718)	(14,008)
Net cash used in operating activities	\$ (249,264)	\$ 68,306
Supplemental disclosures		
Amount paid for:		
Interest	\$ 277,188	\$ 289,546

See accompanying notes to the financial statements



BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

Note 1. Organization and Summary of Significant Accounting Policies

Organization and reporting entity

The Blue Mountain Hospital District, established on July 1, 1950, is a municipal corporation (special district) maintaining a hospital and nursing home. The hospital also provides a rural health clinic, home health and hospice, and ambulance service. Blue Mountain Hospital District is governed by a seven-member, publicly elected board of directors.

The district's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Summary of Significant Accounting Policies

A. Reporting entity

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

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

B. Basis of Presentation

Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 37, establishes the financial reporting standards for state and local governments, which include a statement of assets, liabilities, and net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The statement of assets, liabilities, and net assets displays the district's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. At June 30, 2010 \$278,931 of the district's net assets were restricted.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the district's policy to use restricted resources first.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the district has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The district's Statement of Revenues, Expenses, and Changes in Net Assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services-the district's principal activity. Nonexchange revenues, including property taxes, grants and contributions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expense. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

D. Encumbrance accounting

The district does not utilize encumbrance accounting. Expenses for goods or purchased services are recorded when the liability is incurred. Under Oregon law all appropriations lapse at June 30. All expenses incurred prior to June 30 but paid subsequent to June 30 are recorded as accounts payable. All expenses incurred subsequent to June 30 must be provided for in the subsequent year's budget.

E. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

F. Deposits and investments

The district's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the Oregon State Treasury Local Government Investment Pool.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered investments for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are carried at the June 30, 2010 market value.

G. Patient accounts receivable

The district reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. The district provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient, the district bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer.

H. Ad valorem taxes

The district received approximately 6.3% of its financial support from ad valorem taxes for the year ended June 30, 2010. These funds were used in support of operations. Special purpose property taxes are also received by the district for the retirement of bonded debt. Current taxes are received beginning in October of each year and become delinquent after November 15 of the year. However, taxpayers may pay real property taxes in three equal installments that are due on the 15th day of November, February and May. The Grant County treasurer is the tax-collecting agent for all taxing districts.

I. Risk management

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

J. Federal and state income taxes

The district is a municipal corporation and management believes all of its activities are exempt from unrelated business income taxes. Therefore, no provision for income taxes is made in the accompanying financial statements.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

K. Charity care

The district provides care to patients who meet certain criteria under its charity care policy without charge or at an amount less than its established rates. Because the hospital does not pursue collection amounts determined to qualify as charity care, they are not reported as income.

L. Inventory of supplies

Supply inventory is valued at the lower of cost or market.

M. Net Patient Service Revenue

The district has agreements with third-party payers that provide for payments to the district at amounts different from its established rates. Net patient service revenue is reported as the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

N. Property, plant, and equipment

All capital assets are valued at historical cost at the date of acquisition or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenses, renewal and improvements are capitalized.

O. Depreciation and amortization

Depreciation is computed using the straight-line method based on the following useful lives:

Buildings	15 - 20 years
Land improvements	3 - 15 years
Equipment	3 - 15 years

P. Compensated absences

The district accrues vacation and sick leave as earned for all employees of the district. The district accrues a liability for compensated absences that meet the following criteria:

- (1) The district's obligation relating to employees' rights to receive compensation for future absences is attributable to employee's services already performed.
- (2) The obligation relates to rights that vest or accumulate.
- (3) The payment of compensation is probable.
- (4) The amount can reasonably be estimated.

Q. Prior Period Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Note 2. Deposits and Investments

At June 30, 2010, the carrying amount of the district's deposits (cash and certificates of deposit) was \$323,465 and the bank balance was \$484,713. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's web site. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization.

The balances in excess of the FDIC insurance are considered exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$234,713 of the district's bank balance of \$484,713 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank: \$234,713

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

Note 3. Net Patient Service Revenue

The hospital and nursing home have agreements with third-party payers that provide for payments to the hospital and nursing home at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare: As a critical access hospital inpatient and outpatient services rendered to Medicare program beneficiaries are paid at a cost to charge ratio. The hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicare fiscal intermediary. The Medicare fiscal intermediary has audited the hospital's Medicare cost reports through June 30, 2008.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The hospital and nursing home are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicaid fiscal intermediary. The Medicaid fiscal intermediary has audited the hospital's Medicaid cost reports through June 30, 2008.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

Note 4. Patient Accounts Receivable

Accounts receivable at June 30, 2010 are as follows:

	Hospital	Nursing Home	Clinic	Combined
Patient accounts				
Current	\$ 1,347,425	\$ 179,463	\$ 122,058	\$ 1,648,946
31-60 days	635,975	2,481	30,876	669,332
61-90 days	357,848	3,409	18,090	379,347
91-120 days	239,177	563	23,467	263,207
121-Over days	552,096	17,450	102,494	672,040
	<u>3,132,521</u>	<u>203,366</u>	<u>296,985</u>	<u>3,632,872</u>
Less allowance for uncollectible accounts	<u>(725,982)</u>	<u>(16,760)</u>	<u>-</u>	<u>(742,742)</u>
Total accounts receivable net of allowance	<u>\$ 2,406,539</u>	<u>\$ 186,606</u>	<u>\$ 296,985</u>	<u>\$ 2,890,130</u>

Note 5. Pension Plan

The district provides pension benefits for all full time employees who elect to contribute through a defined contribution plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, returns earned on investment of those contributions, and forfeitures of other participants' benefits that may be allocated to such participants' account. As established by the plan, employees are eligible to participate one year from the date of employment and upon signing a salary modification agreement to contribute to the plan. The district contributes an amount equal to the employee's contribution up to 3% of employee wages. The district's contributions for each employee (and interest to the employee's account) are fully vested after seven years of continuous service. District contributions for, and interest forfeited by, employees who leave employment before seven years of service are used to reduce the district's current period contribution requirements.

During the year the district's required and actual contributions amounted to \$145,054 for the year ended June 30, 2010 and \$267,254 for the year ended June 30, 2009 which was 1.9% and 4.0%, respectfully of the district's covered payroll. Employee actual contributions amounted to \$446,052 for the year ended June 30, 2010 and \$425,277 for the year ended June 30, 2009. No pension provisions changes occurred during these years that effected the required contributions to be made by the district or its employees.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

Note 6. Property and Equipment

A summary of capital assets at June 30, 2010 and 2009 is as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Non-depreciating assets				
Land	\$ 31,093	\$ -	\$ -	\$ 31,093
Construction In Progress	-	55,997	-	55,997
	<u>31,093</u>	<u>55,997</u>	<u>0</u>	<u>87,090</u>
Property and equipment				
Buildings & land improvements	11,026,160	20,000	-	11,046,160
Equipment	4,593,321	243,580	-	4,836,901
	<u>15,619,481</u>	<u>263,580</u>	<u>0</u>	<u>15,883,061</u>
Accumulated depreciation				
Buildings & land improvements	3,620,178	452,612	-	4,072,790
Equipment	2,699,413	476,318	-	3,175,731
	<u>6,319,591</u>	<u>928,930</u>	<u>0</u>	<u>7,248,521</u>
Property and equipment - net	<u>9,299,890</u>	<u>(665,350)</u>	<u>0</u>	<u>8,634,540</u>
Total capital assets - net	<u>\$ 9,330,983</u>	<u>\$ (609,353)</u>	<u>\$ 0</u>	<u>\$ 8,721,630</u>

Note 7. Long-Term Debt

On February 13, 2001 the district issued \$7,000,000 in special assessment general obligation bonds to finance the modification, replacement, repair and construction of additions to the hospital. These 20-year bonds have interest rates that range from 4.00 to 5.00 percent. Interest payments are to be made semiannually on February 1 and August 1. Principal payments are to be made on February 1 of each year starting in 2003. Debt service is financed by assessments to affected property owners. The district has obtained an insurance policy on the bonds for payment of principal and interest in the case of assessments not being collected. The debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ended</u>			
2011	\$ 305,000	\$ 265,500	\$ 570,500
2012	335,000	252,080	587,080
2013	365,000	237,005	602,005
2014	405,000	220,215	625,215
2015	440,000	201,180	641,180
2016-2020	2,890,000	640,780	3,530,780
2021	735,000	36,750	771,750
Total	<u>\$ 5,475,000</u>	<u>\$ 1,853,510</u>	<u>\$ 7,328,510</u>

In fiscal year ended June 30, 2009, the District purchased surgery equipment through a lease agreement with Stryker Leasing, Co. The total purchase price was \$79,000 over a term of 60 months through November 2013. The payment schedule is six interest only payments and 54 payments at \$1,660 including interest at 4.6 percent.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

The debt service requirements to maturity are as follows:

Fiscal Year Ended	Principal	Interest	Total
2011	\$ 17,387	\$ 2,528	\$ 19,915
2012	18,204	1,711	19,915
2013	19,059	856	19,915
2014	8,202	95	8,297
Total	<u>\$ 62,852</u>	<u>\$ 5,190</u>	<u>\$ 68,042</u>

In the fiscal year ended June 30, 2005 the district purchased the physician practice of Drs. Jackson and Bachtold and assumed debt associated with the practice. Included in the purchase were a computer system, a resident's house, and goodwill. The computer system paid off in 2008. The debt service requirements related to the practice purchase to maturity are as follows:

Resident's house loan assumed by the district of \$39,488, \$366 payable to the Bank of Eastern Oregon over 180 months through March 2020 including interest at 7.5 percent:

Fiscal Year Ended	Principal	Interest	Total
2011	\$ 2,226	\$ 2,169	\$ 4,395
2012	2,396	1,998	4,394
2013	2,580	1,815	4,395
2014	2,777	1,617	4,394
2015	2,990	1,405	4,395
2016-2020	17,355	3,233	20,588
Total	<u>\$ 30,324</u>	<u>\$ 12,237</u>	<u>\$ 42,561</u>

In fiscal year ended June 30, 2010, the district purchased laboratory equipment through a lease agreement with Giles Scientific, Inc. The total purchase price was \$39,000 over a term of 24 months through November 2012. The payment schedule is 4 month advance payment non-refundable, then quarterly payments starting 120-days post-shipment including interest at 14.3 percent.

The debt service requirements to maturity are as follows:

Fiscal Year Ended	Principal	Interest	Total
2011	\$ 19,194	\$ 3,006	\$ 22,200
2012	8,807	443	9,250
Total	<u>\$ 28,001</u>	<u>\$ 3,449</u>	<u>\$ 31,450</u>

In fiscal year ended June 30, 2007, the district entered into an agreement to purchase a computer system. The total cost of the computer system was \$620,216. The project took place in three phases to be paid with three separate capital leases. The cost of each phase is as follows: Phase I was \$269,408, Phase II was \$243,937, and Phase III was \$106,871.



BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

The district leased Phase I on a three year lease requiring monthly payments with an interest rate of 5.481 percent. Phase I lease was paid in full during the year ending June 30, 2010.

The district leased Phase II on a three year lease requiring monthly payments with an interest rate of 5.176 percent. The lease service requirements to maturity on Phase II are as follows:

Fiscal Year Ended	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
2011	\$ 43,325	\$ 656	\$ 43,981
Total	<u>\$ 43,325</u>	<u>\$ 656</u>	<u>\$ 43,981</u>

In fiscal year ended June 30, 2009 the district put Phase III of the computer system project into service. The district leased Phase III on an 18 month lease requiring monthly payments with an interest rate of 5.481 percent. The lease was paid in full during the year ending June 30, 2010.

The following is a summary of long-term debt of the district for the year ended June 30, 2010.

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due within one year
GO Bonds	\$ 5,750,000	\$ -	\$ 275,000	\$ 5,475,000	\$ 305,000
Stryker Leasing Co.	79,000	-	16,148	62,852	17,387
BEO residence house	32,360	-	2,036	30,324	2,226
Giles Scientific, Inc.	-	39,000	10,998	28,002	19,194
FAEF Lease	285,402	-	242,077	43,325	43,325
Compensated absences	395,967	13,843	-	409,810	NA
Total	<u>\$ 6,542,729</u>	<u>\$ 52,843</u>	<u>\$ 546,259</u>	<u>\$ 6,049,313</u>	<u>\$ 387,132</u>

Note 8. Operating Lease

The hospital leased a CT Scan machine on a per scan basis from DMS Imaging, Inc. Total cost to the district for the year ended June 30, 2010 was \$342,244. Total cost to the district for the year ended June 30, 2009 was \$305,380. The district also leases an MRI Scan machine on a per scan basis from Consolidated Imaging. Total cost to the district for the year ended June 30, 2010 was \$189,000. Total cost to the district for the year ended June 30, 2009 was \$187,500.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**GENERAL FUND ACTUAL TO BUDGET**  
For the Year Ended June 30, 2010

**REQUIRED SUPPLEMENTARY INFORMATION**

	Actual	Budget		(Over)Under Budget
		Adopted	Final	
Operating revenue				
Gross patient revenue	\$ 19,093,477	\$ 19,061,705	\$ 19,061,705	\$ (31,772)
Less: deductions from patient revenue	(4,586,088)	(4,163,828)	(4,163,828)	422,260
Net patient service revenue	14,507,389	14,897,877	14,897,877	390,488
Other operating revenue	229,993	286,344	286,344	56,351
Total operating revenue	14,737,382	15,184,221	15,184,221	446,839
Operating expenses				
Personal services	10,716,883	10,516,658	10,800,658	83,775
Materials and services	4,349,231	4,770,236	4,486,236	137,005
Capital outlay	928,930	961,123	961,123	32,193
Total operating expenses	15,995,044	16,248,017	16,248,017	252,973
Net income (loss) from operations	(1,257,662)	(1,063,796)	(1,063,796)	193,866
Nonoperating revenues and expenses				
Property Tax Revenue	924,546	949,522	949,522	24,976
Donations	32,136	25,000	25,000	(7,136)
Other Revenue	189,699	3,000	3,000	(186,699)
Bond Interest Expense	(272,318)	(552,188)	(552,188)	(279,870)
Other Expenses	(882)	(93,574)	(93,574)	(92,692)
Total nonoperating revenues and expenses	873,181	331,760	331,760	(541,421)
Excess of revenues over (under) expenses before special purpose tax	(384,481)	(732,036)	(732,036)	(347,555)
Special purpose tax for bond retirement	574,751	552,200	552,200	(22,551)
Increase (decrease) in net assets	190,270	(179,836)	(179,836)	(370,106)
Net assets at beginning of year	5,157,820	433,305	433,305	(4,724,515)
Net assets at end of year	<u>\$ 5,348,090</u>	<u>\$ 253,469</u>	<u>\$ 253,469</u>	<u>\$ (5,094,621)</u>

See accompanying independent auditors' report.

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**  
For the Year Ended June 30, 2010

In accordance with Oregon Revised Statutes, the district's board of directors annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year through statutorily prescribed procedures. The district's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenses known as functions. The functions include personal services, materials and services, capital outlay, and transfers.

During the year ended June 30, 2010, disbursements in the major funds were within certified budget amounts in all functions.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS**  
**GENERAL FUND DIVISIONS**  
June 30, 2010

ASSETS	Hospital	Nursing Home	Eliminations	Total
<b>Current assets</b>				
Cash and cash equivalents	\$ (137,791)	\$ 182,325	\$ -	\$ 44,534
Accounts receivable				
Gross patient accounts receivable	3,429,507	203,365	-	3,632,872
Less bad debt and allowance reserves	(725,982)	(16,760)	-	(742,742)
Property taxes receivable	188,356	46,924	-	235,280
Less allowance for uncollectible	(18,836)	(4,692)	-	(23,528)
Due from sale of COIHS stock	196,164	-	-	196,164
Due from nursing home	712,293	-	(712,293)	-
Inventory of supplies	238,509	18,210	-	256,719
Prepaid expenses	161,467	-	-	161,467
Other current assets	63,418	-	-	63,418
<b>Total current assets</b>	<b>4,107,105</b>	<b>429,372</b>	<b>(712,293)</b>	<b>3,824,184</b>
<b>Property, plant, and equipment</b>				
Land	23,523	7,570	-	31,093
Buildings	10,008,008	1,094,149	-	11,102,157
Equipment	4,555,193	281,708	-	4,836,901
<b>Total</b>	<b>14,586,724</b>	<b>1,383,427</b>	<b>-</b>	<b>15,970,151</b>
Less accumulated depreciation	(6,072,232)	(1,176,289)	-	(7,248,521)
<b>Net property, plant, and equipment</b>	<b>8,514,492</b>	<b>207,138</b>	<b>-</b>	<b>8,721,630</b>
<b>Restricted and other assets</b>				
Cash caregiver groups	9,310	-	-	9,310
Cash home health and hospice	62,892	-	-	62,892
Cash ambulance	8,879	-	-	8,879
Cash bonded debt	152,502	-	-	152,502
Cash memorial fund	-	8,315	-	8,315
Cash nursing home residents	-	1,675	-	1,675
Cash vision dental premium	35,358	-	-	35,358
<b>Total restricted assets</b>	<b>268,941</b>	<b>9,990</b>	<b>-</b>	<b>278,931</b>
<b>Total assets</b>	<b>\$ 12,890,538</b>	<b>\$ 646,500</b>	<b>\$ (712,293)</b>	<b>\$ 12,824,745</b>



	Hospital	Nursing Home	Eliminations	Total
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 339,693	\$ 41,570	\$ -	\$ 381,263
Current portion of long-term debt	387,132	-	-	387,132
<b>Accrued liabilities</b>				
Salaries and wages	396,039	-	-	396,039
Payroll taxes and benefits	346,119	-	-	346,119
Vacation payable	454,667	-	-	454,667
Due to caregiver groups	9,310	-	-	9,310
Due to Medicare/Medicaid	107,934	-	-	107,934
Due to hospital	-	712,293	(712,293)	-
Accrued bond interest payable	110,625	-	-	110,625
Other accrued liabilities	-	27,823	-	27,823
Total current liabilities	<u>2,151,519</u>	<u>781,686</u>	<u>(712,293)</u>	<u>2,220,912</u>
<b>Long-term debt</b>				
Bonds payable	5,475,000	-	-	5,475,000
Equipment lease purchase payable	137,551	-	-	137,551
Other non-current liabilities	30,324	-	-	30,324
Less current portion of long-term debt	(387,132)	-	-	(387,132)
Total long-term debt	<u>5,255,743</u>	<u>-</u>	<u>-</u>	<u>5,255,743</u>
Total liabilities	<u>7,407,262</u>	<u>781,686</u>	<u>(712,293)</u>	<u>7,476,655</u>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	2,901,941	207,138	-	3,109,079
Restricted	268,941	9,990	-	278,931
Unrestricted	2,312,394	(352,314)	-	1,960,080
Total net assets	<u>5,483,276</u>	<u>(135,186)</u>	<u>-</u>	<u>5,348,090</u>
Total liabilities and net assets	<u>\$ 12,890,538</u>	<u>\$ 646,500</u>	<u>\$ (712,293)</u>	<u>\$ 12,824,745</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**GENERAL FUND DIVISIONS**  
For the year ended June 30, 2010

	Hospital	Nursing Home	Total
Operating revenue			
Gross patient service revenue			
Inpatient	\$ 3,916,564	\$ -	\$ 3,916,564
Outpatient	12,896,727	-	12,896,727
Resident	-	2,280,188	2,280,188
Total gross patient service revenue	<u>16,813,291</u>	<u>2,280,188</u>	<u>19,093,479</u>
Less deductions from patient revenue	(4,635,457)	49,369	(4,586,088)
Net patient service revenue	12,177,834	2,329,557	14,507,391
Other operating revenue	205,002	24,991	229,993
Total operating revenue	<u>12,382,836</u>	<u>2,354,548</u>	<u>14,737,384</u>
Operating expenses			
Salaries and wages	6,744,501	1,404,714	8,149,215
Employee benefits	1,596,194	458,443	2,054,637
Contracted labor	513,028	-	513,028
Professional fees	341,297	999	342,296
Other professional fees	83,995	-	83,995
Medical supplies	820,109	41,949	862,058
Supplies	350,682	126,999	477,681
Repairs and maintenance	428,133	12,912	441,045
Utilities	250,846	76,662	327,508
Purchased services	732,447	40,521	772,968
Contracted services	199,138	-	199,138
Insurance	137,992	8,575	146,567
Rent/lease	10,598	-	10,598
Depreciation	891,729	37,201	928,930
Other expense	480,983	204,397	685,380
Total operating expenses	<u>13,581,672</u>	<u>2,413,372</u>	<u>15,995,044</u>
Operating loss	<u>(1,198,836)</u>	<u>(58,824)</u>	<u>(1,257,660)</u>
Nonoperating revenue (expenses)			
Property tax receipts	700,608	223,938	924,546
Donations	32,136	-	32,136
Interest expense	(272,318)	-	(272,318)
Other nonoperating revenue (expenses)	188,405	410	188,815
Total nonoperating revenue (expenses)	<u>648,831</u>	<u>224,348</u>	<u>873,179</u>
Excess of revenues over (under) expenses before special purpose tax	(550,005)	165,524	(384,481)
Special purpose tax for bond retirement	574,751	-	574,751
Increase (decrease) in net assets	24,746	165,524	190,270
Net assets at beginning of year	<u>5,458,530</u>	<u>(300,710)</u>	<u>5,157,820</u>
Net assets at end of year	<u>\$ 5,483,276</u>	<u>\$ (135,186)</u>	<u>\$ 5,348,090</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**COMBINING SCHEDULE OF CASH FLOWS**  
**GENERAL FUND DIVISIONS**  
For the Year Ended June 30, 2010

	Hospital	Nursing Home	Total
Operating activities			
Receipts from and on behalf of patients	\$ 12,508,317	\$ 2,430,904	\$ 14,939,221
Payments to suppliers and contractors	(4,027,663)	(270,044)	(4,297,707)
Payments to employees	(8,263,999)	(1,863,157)	(10,127,156)
Other receipts and payments	(610,201)	(153,421)	(763,622)
Net cash used in operating activities	<u>(393,546)</u>	<u>144,282</u>	<u>(249,264)</u>
Noncapital financing activities			
Property taxes supporting operations	681,390	232,913	914,303
Transfers between divisions	553,722	(553,722)	-
Net cash provided by noncapital financing activities	<u>1,235,112</u>	<u>(320,809)</u>	<u>914,303</u>
Capital and related financing activities			
Nonoperating income (expense)	(56,647)	410	(56,237)
Proceeds from leases	59,230	-	59,230
Special purpose tax for debt retirement	574,751	-	574,751
Payment on bonds payable	(275,000)	-	(275,000)
Payments on line of credit	(582,633)	-	(582,633)
Payments on leases	(286,081)	-	(286,081)
Payments on other notes	(2,036)	-	(2,036)
Net cash provided by capital and related financing activities	<u>(568,416)</u>	<u>410</u>	<u>(568,006)</u>
Investing activities			
Capital investment	(243,337)	(76,233)	(319,570)
Net cash used in investing activities	<u>(243,337)</u>	<u>(76,233)</u>	<u>(319,570)</u>
Net decrease in cash and cash equivalents	29,813	(252,350)	(222,537)
Cash and investments, beginning of year	101,337	444,665	546,002
Cash and investments, end of year	<u>\$ 131,150</u>	<u>\$ 192,315</u>	<u>\$ 323,465</u>

Continued on next page

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**COMBINING SCHEDULE OF CASH FLOWS**  
**GENERAL FUND DIVISIONS**  
For the Year Ended June 30, 2010

	<u>Hospital</u>	<u>Nursing Home</u>	<u>Total</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (1,198,836)	\$ (58,824)	\$ (1,257,660)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	891,729	37,201	928,930
(Increase) decrease in			
Patient accounts receivable, net	330,483	101,347	431,830
Other current assets	(263,092)	2,575	(260,517)
Increase (decrease) in			
Accounts payable	(159,398)	38,573	(120,825)
Accrued payroll liabilities	76,696	-	76,696
Other current liabilities	(71,128)	23,410	(47,718)
Net cash provided by (used in) operating activities	<u>\$ (393,546)</u>	<u>\$ 144,282</u>	<u>\$ (249,264)</u>
Supplemental disclosures			
Amount paid for:			
Interest	<u>\$ 277,188</u>	<u>\$ -</u>	<u>\$ 277,188</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF PATIENT SERVICE REVENUE**  
For the Year Ended June 30, 2010, with Comparative Totals for 2009

	2010			2009
	Inpatient	Outpatient	Total	Total
<b>Hospital</b>				
Medical and surgical	\$ 878,322	\$ 150,269	\$ 1,028,591	905,544
Obstetrics	113,194	-	113,194	126,590
Newborn nursery	73,396	-	73,396	65,540
Intensive care	213,694	-	213,694	188,460
Swing beds	80,600	-	80,600	94,527
Total daily patient services	<u>1,359,206</u>	<u>150,269</u>	<u>1,509,475</u>	<u>1,380,661</u>
<b>Other nursing service</b>				
Labor and delivery	130,585	-	130,585	118,780
Surgery	316,095	857,610	1,173,705	1,046,449
Recovery room	45,088	115,358	160,446	204,180
Emergency room	7,867	1,064,384	1,072,251	966,740
Emergency room physicians	60,413	712,449	772,862	784,978
Medical supplies	124,311	207,957	332,268	280,794
Hearing center	-	2,331	2,331	1,221
Rural health clinic	-	1,289,350	1,289,350	1,086,475
Home health care	-	758,490	758,490	733,060
Total other nursing services	<u>684,359</u>	<u>5,007,929</u>	<u>5,692,288</u>	<u>5,222,677</u>
<b>Other professional services</b>				
Respiratory therapy	501,352	154,793	656,145	649,828
Ambulance	-	486,941	486,941	496,612
Laboratory	289,011	2,134,637	2,423,648	2,327,655
Pathology	2,885	3,739	6,624	11,706
Electrocardiographs	41,722	346,991	388,713	372,735
Radiology	169,309	2,345,690	2,514,999	2,292,812
Ultrasound	12,214	276,630	288,844	258,590
Mammography	-	93,482	93,482	106,729
Pharmacy	358,608	539,202	897,810	571,692
I.V. therapy	222,680	185,696	408,376	300,878
Anesthesiology	214,519	351,893	566,412	555,237
Physical and occupational therapy	60,699	818,835	879,534	741,149
Total other professional services	<u>1,872,999</u>	<u>7,738,529</u>	<u>9,611,528</u>	<u>8,685,623</u>
Total hospital patient service revenue	<u>3,916,564</u>	<u>12,896,727</u>	<u>16,813,291</u>	<u>15,288,961</u>
<b>Nursing Home</b>				
Daily patient services	2,190,844	-	2,190,844	1,824,257
Medical supplies	89,344	-	89,344	62,445
Total nursing home patient service revenue	<u>2,280,188</u>	<u>0</u>	<u>2,280,188</u>	<u>1,886,702</u>
Total patient service revenue	<u>\$ 6,196,752</u>	<u>\$ 12,896,727</u>	<u>\$ 19,093,479</u>	<u>\$ 17,175,663</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF DEDUCTIONS FROM PATIENT SERVICE REVENUE**  
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Deductions from patient service revenue		
Hospital		
Medicare contractual adjustments	\$ 2,017,107	\$ 1,734,280
Medicaid contractual adjustments	409,049	429,073
Blue Cross adjustment	77,406	72,885
Contra adjust on-the-job	449,716	360,085
Charity	387,048	336,943
Provision for bad debt	852,645	537,367
Clinic adjustments	271,322	102,367
Home health adjustments	17,949	-
Employee discounts	26,876	23,228
Administrative adjustment	126,339	143,908
Other contractual adjustments	<u>2,209,301</u>	<u>1,576,783</u>
Total hospital	<u>4,635,457</u>	<u>3,740,136</u>
Nursing home		
Contractual adjustment - welfare	30,009	(255,525)
Other contractual adjustments	-	(153)
Provision for bad debt	<u>(79,378)</u>	<u>16,565</u>
Total nursing home	<u>(49,369)</u>	<u>(239,113)</u>
Total deductions from patient service revenue	<u><u>\$ 4,586,088</u></u>	<u><u>\$ 3,501,023</u></u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF OTHER OPERATING REVENUE**  
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Hospital		
Cafeteria	\$ 70,135	\$ 76,090
Medical records	5,139	3,916
Business office	40,491	39,312
Clinic rental income	7,160	9,755
Grant revenue	15,189	-
Revenue miscellaneous	58,674	86,101
Interest income	8,214	9,417
Total other operating revenue	<u>205,002</u>	<u>224,591</u>
 Nursing Home		
Cafeteria	10,444	5,801
Revenue miscellaneous	14,546	9,940
Interest income	1	3
Total other operating revenue	<u>24,991</u>	<u>15,744</u>
Total other operating revenue	<u><u>\$ 229,993</u></u>	<u><u>\$ 240,335</u></u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF OPERATING DEPARTMENTS EXPENSES**  
For the Year Ended June 30, 2010, with Comparative Totals for 2009

	2010			2009
	Salaries and Wages	Supplies and Expenses	Total	Total
Operating departments				
Hospital				
Infection control	\$ 50,899	\$ 6,124	\$ 57,023	58,185
Medical surgical	1,258,293	84,255	1,342,548	1,291,125
Obstetrics	8,789	4,860	13,649	28,800
Nursery	-	809	809	720
Intensive care	93	588	681	392
Swing beds	2,895	-	2,895	7,760
Respiratory therapy	226,125	43,594	269,719	258,823
Labor and delivery	2,278	-	2,278	4,728
Surgery	248,943	74,900	323,843	331,946
Recovery room	28,712	4,480	33,192	30,237
Emergency units	718,579	298,174	1,016,753	1,053,019
Ambulance	285,752	71,643	357,395	327,742
Laboratory	402,578	285,117	687,695	712,340
Pathology	-	12,000	12,000	11,000
Electrocardiographs	-	46,121	46,121	42,483
Radiology	512,255	750,877	1,263,132	1,312,827
Pharmacy	99,899	334,077	433,976	314,995
I.V. therapy	-	19,005	19,005	16,471
Anesthesiology	362,269	24,024	386,293	402,899
Physical therapy	319,974	3,789	323,763	294,659
Hearing center	607	460	1,067	344
Rural health clinic	1,626,753	195,112	1,821,865	1,599,082
Home health care	322,744	59,243	381,987	339,891
Hospice	174,515	63,537	238,052	206,507
Total hospital	<u>6,652,952</u>	<u>2,382,789</u>	<u>9,035,741</u>	<u>8,646,975</u>
Nursing Home				
Daily patient services	1,196,706	209,742	1,406,448	1,317,509
Pharmacy	-	3,240	3,240	4,932
Activity	36,966	1,123	38,089	36,547
Total nursing home	<u>1,233,672</u>	<u>214,105</u>	<u>1,447,777</u>	<u>1,358,988</u>
Total operating departments	<u>\$ 7,886,624</u>	<u>\$ 2,596,894</u>	<u>\$ 10,483,518</u>	<u>\$ 10,005,963</u>



BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF SERVICE DEPARTMENTS EXPENSES**  
For the Year Ended June 30, 2010, with Comparative Totals for 2009

	2010			2009
	Salaries and Wages	Supplies and Expenses	Total	Total
Service departments				
Hospital				
Central supply	\$ -	\$ 77,733	\$ 77,733	\$ 71,506
Medical records	288,395	21,273	309,668	321,340
Human resources	66,379	5,602	71,981	71,346
Dietary	250,040	120,110	370,150	333,844
Plant operations	188,581	319,551	508,132	495,044
Housekeeping	132,490	20,027	152,517	169,069
Laundry and linen	24,075	1,488	25,563	20,069
Discharge planning	50,741	5,926	56,667	49,253
Outpatient registration	87,152	1,798	88,950	95,861
Total hospital	<u>1,095,340</u>	<u>573,508</u>	<u>1,668,848</u>	<u>1,627,332</u>
Nursing home				
Medical supply	-	19,421	19,421	32,270
Dietary	217,329	113,367	330,696	315,583
Plant operations	85,771	84,539	170,310	171,154
Housekeeping	52,543	7,654	60,197	62,283
Laundry and linen	48,543	2,635	51,178	52,025
Total nursing home	<u>404,186</u>	<u>227,616</u>	<u>631,802</u>	<u>633,315</u>
Total service departments	<u>\$ 1,499,526</u>	<u>\$ 801,124</u>	<u>\$ 2,300,650</u>	<u>\$ 2,260,647</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF ADMINISTRATIVE AND GENERAL DEPARTMENTS EXPENSES**  
For the Year Ended June 30, 2010, with Comparative Totals for 2009

	2010			2009
	Salaries and Wages	Supplies and Expenses	Total	Total
Administrative and general departments				
Hospital				
Nursing administration	\$ 121,633	\$ 1,064	\$ 122,697	\$ 117,527
Fiscal services	29,001	50,908	79,909	67,069
Business office	269,217	113,822	383,039	375,954
Data processing	84,457	97,890	182,347	167,218
Administration	305,274	588,524	893,798	841,999
Purchasing	114,185	2,864	117,049	112,352
Miscellaneous	181,664	-	181,664	194,001
Depreciation	-	891,729	891,729	878,434
Interest expense	-	24,851	24,851	60,291
Total hospital	<u>1,105,431</u>	<u>1,771,652</u>	<u>2,877,083</u>	<u>2,814,845</u>
Nursing home				
Nursing administration	81,868	117	81,985	103,463
Business office	-	204	204	56
Administration	94,891	70,972	165,863	161,617
Miscellaneous	48,540	-	48,540	52,299
Depreciation	-	37,201	37,201	29,787
Total nursing home	<u>225,299</u>	<u>108,494</u>	<u>333,793</u>	<u>347,222</u>
Total administrative and general departments	<u>\$ 1,330,730</u>	<u>\$ 1,880,146</u>	<u>\$ 3,210,876</u>	<u>\$ 3,162,067</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**GENERAL FUND - HOSPITAL DIVISION**  
**ACTUAL TO BUDGET**  
For the Year Ended June 30, 2010

	Actual	Adopted Budget	Final Budget	(Over)Under Budget
Operating revenue				
Gross patient revenue	\$ 16,813,290	\$ 16,911,883	\$ 16,911,883	\$ 98,593
Less: deductions from patient revenue	(4,635,457)	(4,096,028)	(4,096,028)	539,429
Net patient service revenue	12,177,833	12,815,855	12,815,855	638,022
Other operating revenue	205,002	281,582	281,582	76,580
Total operating revenue	<u>12,382,835</u>	<u>13,097,437</u>	<u>13,097,437</u>	<u>714,602</u>
Operating expenses				
Personal services	8,853,726	8,758,428	8,973,608	119,882
Materials and services	3,836,218	4,174,643	3,959,463	123,245
Capital outlay	891,729	920,736	920,736	29,007
Total operating expenses	<u>13,581,673</u>	<u>13,853,807</u>	<u>13,853,807</u>	<u>272,134</u>
Net income/(loss) from operations	(1,198,838)	(756,370)	(756,370)	442,468
Nonoperating revenues and expenses				
Property Tax Revenue	700,608	739,662	739,662	39,054
Donations	32,136	25,000	25,000	(7,136)
Other Revenue	189,289	3,000	3,000	(186,289)
Bond Interest Expense	(272,318)	(552,188)	(552,188)	(279,870)
Other Expenses	(882)	(93,574)	(93,574)	(92,692)
Total nonoperating revenues and expenses	<u>648,833</u>	<u>121,900</u>	<u>121,900</u>	<u>(526,933)</u>
Excess of revenues over (under) expenses before special purpose tax	(550,005)	(634,470)	(634,470)	(84,465)
Special purpose tax for bond retirement	574,751	552,200	552,200	(22,551)
Increase (decrease) in net assets	24,746	(82,270)	(82,270)	(107,016)
Net assets at beginning of year	<u>5,458,530</u>	<u>329,106</u>	<u>329,106</u>	<u>(5,129,424)</u>
Net assets at end of year	<u>\$ 5,483,276</u>	<u>\$ 246,836</u>	<u>\$ 246,836</u>	<u>\$ (5,236,440)</u>

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**GENERAL FUND - NURSING HOME DIVISION**  
**ACTUAL TO BUDGET**  
For the Year Ended June 30, 2010

	Actual	Adopted Budget	Final Budget	(Over)Under Budget
Operating revenue				
Gross patient revenue	\$ 2,280,187	\$ 2,149,822	\$ 2,149,822	\$ (130,365)
Less: deductions from patient revenue	49,369	(67,800)	(67,800)	(117,169)
Net patient service revenue	2,329,556	2,082,022	2,082,022	(247,534)
Other operating revenue	24,991	4,762	4,762	(20,229)
Total operating revenue	2,354,547	2,086,784	2,086,784	(267,763)
Operating expenses				
Personal services	1,863,157	1,758,230	1,827,050	(36,107)
Materials and services	513,013	595,593	526,773	13,760
Capital outlay	37,201	40,387	40,387	3,186
Total operating expenses	2,413,371	2,394,210	2,394,210	(19,161)
Net income/(loss) from operations	(58,824)	(307,426)	(307,426)	(248,602)
Nonoperating revenues and expenses				
Property Tax Revenue	223,938	209,860	209,860	(14,078)
Other Revenue	410	-	-	(410)
Total nonoperating revenues and expenses	224,348	209,860	209,860	(14,488)
Excess of revenues over (under) expenses before special purpose tax	165,524	(97,566)	(97,566)	(263,090)
Special purpose tax for bond retirement	-	-	-	-
Increase (decrease) in net assets	165,524	(97,566)	(97,566)	(263,090)
Net assets at beginning of year	(300,710)	104,199	104,199	404,909
Net assets at end of year	\$ (135,186)	\$ 6,633	\$ 6,633	\$ 141,819

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
For the Year Ended June 30, 2010

Tax Year	Uncollected Taxes at July 1, 2009	Current Year Levy	Adjustments	Discounts	Interest	Taxes	Cash Received	Taxes Receivable June 30, 2010
2009-10	\$ -	\$ 1,522,100	\$ (2,878)	\$ (31,907)	\$ 1,050	\$ 1,374,119	\$ 1,375,169	\$ 113,196
2008-09	102,054	-	(1,447)	-	2,758	44,139	46,897	56,468
2007-08	53,700	-	-	-	3,814	23,403	27,217	30,297
2006-07	35,390	-	-	-	5,696	23,054	28,750	12,336
2005-06	11,435	-	-	-	2,589	8,471	11,060	2,964
2004-05	3,750	-	-	-	400	1,028	1,428	2,722
2003-04	2,390	-	-	-	96	196	292	2,194
2002-03	2,992	-	-	-	12	20	32	2,972
2001-02	2,216	-	-	-	11	17	28	2,199
Prior	9,972	-	-	-	36	40	76	9,932
	<u>\$ 223,899</u>	<u>\$ 1,522,100</u>	<u>\$ (4,325)</u>	<u>\$ (31,907)</u>	<u>\$ 16,462</u>	<u>\$ 1,474,487</u>	<u>\$ 1,490,949</u>	<u>\$ 235,280</u>

THIS PAGE INTENTIONALLY LEFT BLANK

COMMENTS AND DISCLOSURES REQUIRED  
BY THE STATE OF OREGON

BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS**  
June 30, 2010

Oregon Administration Rules 162-10-200 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the secretary of state in cooperation with the Oregon State Board of Accountancy, require certain comments and disclosures relating to the review of fiscal affairs and compliance with legal requirements. Comments relating to significant accounting policies, organization, fund structure, cash security, and investments are included in the notes to financial statements. Other required comments and disclosures relating to this audit are set forth below.

Accounting Systems and Control Structure

The organizational structure of the district provides satisfactory accounting policies for maintaining an adequate system of accountability and responsibility of funds. The accounting records are being maintained in a satisfactory manner, which offers an adequate system of reporting to interested parties and compliance with legal requirements.

Where possible the district has maintained a plan of organization encompassing methods and measures of internal control to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and carry out board policies. We believe an adequate and effective method of internal control is maintained within the limits afforded by a small office staff. Our recommendations for improving internal control are included in the management letter, if any. In accordance with Government Auditing Standards, we have also issued a report dated October 7, 2010, on our consideration of the district's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Indebtedness

At June 30, 2010 the total outstanding long-term debt of the district was \$6,049,313. The total legal debt limit of the district is 10% of the real market value of the district. As of June 30, 2010 the real market value of the district was \$1,271,382,800 and the legal debt limit was \$127,138,280. The amount outstanding appears to be within the legal debt limitations as set forth by Oregon statutes.

Collateral security

We reviewed the records of the district for compliance with statutory requirements regarding collateral securing depository balances (ORS 295). The minimum requirement for collateral security as required by the state of Oregon was adequate for funds on deposit with all depositories during the year and at June 30, 2010.

Budget preparation

The district has substantially complied with statutory provisions in the preparation and execution of the budget (GAAP basis) for the year ended June 30, 2010, and the preparation of the budget (GAAP basis) for the year ended June 30, 2011.

Appropriations of the budget were made for personal services, materials and services, and capital outlay for both the hospital and nursing home in compliance with ORS 294.435 for years June 30, 2010 and 2011. All appropriations lapse at the end of the fiscal year.

Insurance and Fidelity Bond Coverage

The district has complied with the provisions of ORS 332.525 in respect to fidelity bond coverage. We are not competent by training to state whether the insurance policies in force at June 30, 2010, provide adequate coverage. We understand coverage is reviewed periodically with the district's agent of record and that such reviews have recently been made.



BLUE MOUNTAIN HOSPITAL DISTRICT  
Grant County, Oregon  
**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS**  
June 30, 2010

Programs funded from outside source

In connection with our audit of the financial statements, we reviewed and tested the district's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, including financial reporting requirements thereof. Based on our testing, we are generally satisfied as to the propriety of accounting for programs funded from outside sources and the reporting thereof.

Investments

The district has substantially complied with legal requirements pertaining to the investment of public funds.

Public contracts and purchasing

The district has substantially complied with legal requirements pertaining to the awarding of public contracts and purchasing ORS Section 279.

Highway Funds

The district does not receive highway funds and is not subject to the legal requirements, (as contained in Article IV, Section 3a of the Oregon Constitution), pertaining to the use of revenue from taxes on motor vehicle fuel.

Independently Elected Officials

Our audit disclosed no funds being received or disbursed by an independently elected district official.

**OREGON AUDITS DIVISION  
SUMMARY OF REVENUES AND EXPENDITURES**

Name of Municipal Corporation Blue Mountain Hospital District

Address John Day, Oregon

Period Covered by Audit Report: From 07/01/2009 to 06/30/2010

Total Revenues and/or Receipts - All Funds		\$ 16,268,817
Less:		
Interfund loans and transfers	_____	
Receipts from short-term loans	_____	
Taxes, assessments and other collections to be distributed to other governmental units	_____	
Net Revenues and/or Receipts		<u>\$ 16,268,817</u>
Total Expenditures and/or Disbursements - All Funds		<u>\$ 17,224,297</u>
Less:		
Interfund loans and transfers	_____	
Principal Payments - short-term loans	<u>\$ 582,633</u>	
Principal Payments - bonded or other long-term debt	<u>563,117</u>	
Principal Payments - warrants issued during prior years	_____	
Turnovers to other municipal corporations	_____	
Taxes and Assessments	_____	
Other Distributions	_____	
Other Trust Moneys	_____	1,145,750
Net Expenditures and/or Disbursements		<u>\$ 16,078,547</u>

The above information is based upon the revenues and expenditures/expenses for all funds of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature Robert H. Armstrong

**PLEASE ENCLOSE PAYMENT WITH SUMMARY**

Over	Not Over	Fee	ORS 297.485 (1)
	\$ 50,000	\$ 20	...The filing fee shall be determined by the total expenditures made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, except that expenditures for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the total expenditures upon which the amount of the fee is based.
\$ 50,000	150,000	40	
150,000	500,000	150	
500,000	1,000,000	200	
1,000,000	5,000,000	250	
5,000,000	10,000,000	300	
10,000,000	50,000,000	350	
50,000,000		400	

**(Net Expenditures and/or Disbursements)**

Within 30 days after submitting the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

---

For Use by Division of Audits

Account Code \_\_\_\_\_ Firm Code \_\_\_\_\_ Filing Fee \_\_\_\_\_

---

REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

## **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  
Blue Mountain Hospital District  
John Day, Oregon

We have audited the basic financial statements of the Blue Mountain Hospital District (the district) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Internal Control over Financial Reporting*

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We noted certain matters that we reported to management of the district in a separate letter dated October 7, 2010.

This report is intended for the information and use of the board of directors, management, others within the district, and federal and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Oster Professional Group, CPA's, PC*

By Robert M. Armstrong

John Day, Oregon  
October 7, 2010