HCMO-1: Notice of Material Change Transaction

Attachment B

Detailed Information About Blue Mountain Hospital District

1. Describe the Participating Entity.

a. Describe the Participating Entity's business, including business lines or segments.

Blue Mountain Hospital District is a 501(c)(3) hospital district organized under Oregon law. It owns and operates Blue Mountain Hospital, a 25-bed critical access hospital in John Day, Oregon. It also owns and operates Blue Mountain Care Center, a 40-bed intermediate care center in Prairie City, Oregon, as well as Blue Mountain Home & Hospice, Blue Mountain Home Health Agency, and Strawberry Wilderness Community Clinic, all of which are located in John Day, Oregon. Blue Mountain Hospital District's business lines or segments include the following centers, programs, and services: Blue Mountain Care Center (intermediate/nursing care services, including adult day care); Cataract Surgery, Community Clinic, dermatology, dietary health, emergency medical services, general surgery, home care, hospice, laboratory, mammography, obstetrics/labor and delivery; pain management; radiology and imaging; rehabilitation services; respiratory therapy; and swing bed program.

b. Describe the Participating Entity's governance and operational structure (including ownership of or by a health care entity)

Blue Mountain Hospital District is a 501(c)(3) hospital district with an elected board of directors. It owns and operates Blue Mountain Hospital, Blue Mountain Care Center, Blue Mountain Home & Hospice, Blue Mountain Home Health Agency, and Strawberry Wilderness Community Clinic. The governance documents for Blue Mountain Hospital District are attached as **Attachment B, Exhibit 1.b.**

c. Provide a diagram or chart showing the organizational structure and relationships between business entities.

See **Attachment B, Exhibit 1.c**.

d. List all of the Participating Entity's business entities currently licensed to operate in Oregon using HCMO-1b: Business Entities form. Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

See **Attachment B, Exhibit 1.d**.

e. **Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for the Participating Entity's Oregon business.**
See **Attachment B, Exhibit 1.e**.

f. **Describe and identify the Participating Entity's health care business.** A description of Blue Mountain Hospital District's business lines and services is set forth in item 1.a., above. Blue Mountain Hospital District has four service locations, including its hospital location in John Day, Oregon; its home health and hospice location in John Day, Oregon; its community clinic location in John Day, Oregon; and its intermediate nursing care services location in Prairie City, Oregon.

Provide responses to i-ix as applicable:

i. **Provider type (hospital, physician group, etc.)**
Blue Mountain Hospital District is a 501(c)(3) hospital district that owns and operates Blue Mountain Hospital and its associated clinics, as well as Blue Mountain Care Center.

ii. **Service lines, both overall and in Oregon**
See response to item 1.a., above.

iii. **Products and services, both overall and in Oregon**
See response to item 1.a., above.

iv. **Number of staff and FTE, both overall and in Oregon**
Blue Mountain Hospital District has 239 employees and 144 FTEs (both in Oregon and overall).

v. **Geographic areas served, both overall and in Oregon**
Blue Mountain Hospital District serves Grant County, Oregon, and the surrounding areas.

vi. **Addresses of all facilities owned or operated using HCMO-1c: Facilities and Locations form**
See **Attachment B, Exhibit 1.f.vi**.

vii. **Annual number of people served in Oregon, for all business, not just business related to transaction**
Blue Mountain Hospital District served about 7,000 people in 2025.

viii. **Annual number of services provided in Oregon**

Blue Mountain Hospital District annually handles about 33,000 health care encounters.

ix. For hospitals, number of licensed beds

Blue Mountain Hospital District has 25 licensed beds.

2. Describe all mergers, acquisitions, and joint ventures that closed in the ten (10) years prior to filing this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:

a. Legal names of all entities party to the transaction

b. Type of transaction

c. Description of the transaction

d. Date the transaction closed

NA. Blue Mountain Hospital District has closed no mergers, acquisitions, or joint ventures within the past 10 years.

Attachment B

Exhibit 1.b.

Governance Documents

BLUE MOUNTAIN HOSPITAL DISTRICT
BY-LAWS

ARTICLE 1
THE DISTRICT

The Blue Mountain Hospital District is public health district of the State of Oregon duly organized under ORS 440.305 to 440.420 (the "District"). The District was created on November 8, 1949, by the legal voters of Grant County.

The District is comprised of the Blue Mountain Hospital in John Day, OR (the "Hospital") and the Blue Mountain Care Center in Prairie City, OR (the "Care Center").

The purpose of the District is to provide comprehensive healthcare for the total person, through the medium of constructing, managing, and operating coordinated modern health care facilities and programs.

The powers of the District shall be as stated in these bylaws and applicable state statutes.

ARTICLE 2
OFFICES

The principal office of this District shall be located in the City of John Day, Grant County, Oregon. The District shall maintain a registered office and registered agent at the principal office and may have such other offices as it determines to be in the best interests of the District.

ARTICLE 3
OBJECTIVES

The objectives of the District shall be:

To maintain and operate a general hospital which will provide diagnosis and treatment of such in-patients and out-patients for which the hospital is equipped.

To maintain and operate the Care Center or other health facilities so as to provide a continuing of care for the people served.

To carry on educational activities relating to rendering care to the sick and injured and the promotion of health, that is the opinion of the Board of Directors may be justified by the facilities, personnel, funds, or other requirements that are or can be made available.

ARTICLE 4
GOVERNING BOARD

Section 1 **NAME:** The governing authority shall be known as the Board of Directors of Blue Mountain Hospital District.

Section 2 **PURPOSE:** The purpose of the Board of Directors shall be:

- To determine healthcare policies with relation to community needs.
- To assure that professional healthcare standards are maintained.
- To coordinate the professional interest of the hospital, the Care Center and out-patient services with administrative, financial and community needs.
- To hire, supervise, and terminate the chief executive officer.
- To direct the administrator(s) of the hospital and the Care Center in carrying out policies.
- To provide adequate financing and control of expenditures.

Section 3 **POWERS:** The Board shall exercise all power and authority of the District under state law, except as the Board may choose to delegate to District officers or staff.

Section 4 **NUMBER AND QUALIFICATIONS:** A Board of Directors consisting of seven members shall be elected by the eligible voters within the District for staggered four-year terms. Board members must be electors of the District. Employees of the District are not eligible for Board membership.

Section 5 **EX-OFFICIO DIRECTORS:** An ex-officio Director serves on the Board by virtue of official position. An ex-officio director shall continue to serve until the director no longer holds the official position. The Chief Executive Officer of the District and the Administrator of the Care Center and the Chief of Staff of the Hospital shall serve as ex-officio members. Ex Officio Directors may attend and participate in all meetings of the Board, but do not have a vote.

Section 6 **RESIGNATION:** Any director may resign at any time by giving written notice to the Chair or to the Secretary of the Board. Such resignations which may or may not be made contingent on formal acceptance shall take effect on the date of receipt or at any later time specified therein.

Section 7 **REMOVAL:** Removal of any director for any reason shall be in accordance with the public officer recall procedures set forth in ORS 249.865 to 249.877, as the same may be amended from time to time.

Section 8 **VACANCIES:** Vacancies in elected directorships due to death, removal or resignation shall be filled by appointment by a majority of the remaining directors. If a majority of the Board of Directors is vacant or if a majority cannot agree, the vacancies shall be filled promptly by the county court of the county in which the administrative office of the District is located. Any director so appointed shall hold office for a term determined in accordance with ORS 198.320.

Section 9 **CONSULTANTS:** The Board or the Chair of the Board may invite additional individuals with expertise in a pertinent area to meet with and assist the Board. Such consultants shall not vote or be counted in determining the existence of a quorum and may be excluded from any executive session of the Board by a majority vote of the directors present.

Section 10 **COMPENSATION:** The members of the Board of Directors, and the officers of the District named in these by-laws shall serve without compensation for their services as directors and officers, except that the Chief Executive Officer shall be entitled to such compensation for services rendered as the Board may establish. Directors and officers may be reimbursed for all expenses reasonably incurred on behalf of the District.

Section 11 **MEETINGS OF THE DIRECTORS:**

(a) Regular Meetings. The District shall hold at least one regular meeting per month. The date and the time for the meeting shall be established so that the general public can expect that hospital business will be conducted at the same time and place. Notice to the public shall be given in accordance with Article 5 these Bylaws.

(b) Special Meetings. Special meetings of the Board of Directors may be called by the Chair, Chief Executive Officer or on written notice of two other voting members of the Board of

Directors. No business other than that stated in the notice shall be transacted at such special meeting. Notice to the public of any special meeting shall be given in accordance with Article 5 of these Bylaws.

(c) Executive Sessions: Any regular or special may be called into executive session as provided by the Oregon Public Meetings Law (ORS 192.610 to ORS 192.690). No final decision may be made in executive session.

(d) Place. All meetings shall be held at the hospital or at such other places so designated by the Board within the geographic boundaries over which the District has jurisdiction.

(e) Notice to the Board of Directors. The approval and adoption of the by-laws shall constitute proper notice of all regular meetings of the Board of Directors to the Board of Directors. In the case of special meetings or when required by law or these by-laws, the notice to the Board of Directors shall, in addition to time and place, state the purpose for which the meeting is called. Board notice shall be deemed sufficient if deposited in the U.S. mail, addressed to the last known mailing address of a director or sent by e-mail to the last known e-mail address of a director, five days prior to said meeting date. Notice to the public of any regular or special meeting of the Board shall be given in accordance with Article 5 of these Bylaws.

Section 12 NO ACTION WITHOUT A MEETING: The Board of Directors shall not take action without a meeting.

Section 13 QUORUM: A majority of the directors then in office, shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present at any meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 14 VOTING: Each voting Director shall be entitled to only one vote on any matter before the Board. Voting by proxy shall not be permitted.

Section 15 MANNER OF ACTING: Unless otherwise required by law or these by-laws, the act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 16 ABSENCE OR DISABILITY OF AN OFFICER: In the absence or disability of any officer or for any reason that the Board may deem sufficient, the Board may delegate for the time being the powers or duties of such officer to any other officer or to any director.

Section 17 ATTENDANCE REQUIREMENTS: The term of a Director shall expire when the Director is absent from four or more consecutive regular meetings of the Board and the Board declares the position vacant.

ARTICLE 5
BOARD MEETINGS AND PUBLIC PARTICIPATION

Board meetings shall comply with the Oregon Public Meetings Law (ORS 192.610 to ORS 192.690). Board Meetings are open to the public and the agenda is posted in the hospital lobby prior to each meeting. The District shall take such additional steps as are reasonable and necessary to ensure that the District has given noticed to the public of its Board meetings in a way that is reasonably calculated to give actual notice to interested persons including news media which have requested notice. Such steps may include posting the schedule and agenda for upcoming Board meetings on the District's website.

The Board may call a special meeting with at least 24 hours' notice to the members of the governing body, the news media that have requested notice and the general public. In case of an actual emergency, a meeting may be held upon such notice as is appropriate to the circumstances, but the minutes for such a meeting shall describe the emergency justifying less than 24 hours' notice.

The Board recognizes the value of public comment on educational issues and the importance of involving members of the public in its meetings. In order to permit fair and orderly expression of such comment, the Board will provide a period at the regular meeting during which visitors may make formal presentations. Such presentations would best be scheduled in advance.

The Board may allow individuals to express an opinion prior to Board action on agenda items. Individuals wishing to be heard by the Board shall first be recognized by the Chair. Individuals, after identifying themselves, will proceed to make comments as briefly as the subject permits. The Board may, in its discretion, limit comments at a given meeting to three minutes per person. The Board shall also be entitled to express an opinion. The Chair may interrupt or terminate an individual's statement when the Chair considers the statement to be too lengthy,

personally directed, abusive, irrelevant, or that is otherwise disruptive or unduly impedes the business of the Board. The Board may overrule the Chair's decision by majority vote.

At the conclusion of the regular meeting, the Chair may allow any individual to speak to any issue not included on the agenda.

ARTICLE 6
OFFICERS

Section 1 **OFFICERS:** The officers of the Board shall be a Chair, a Secretary and a Treasurer. Any Director may hold two or more offices except that the Chair may hold only that office.

Section 2 **CHAIR:** The Chair shall be the principal officer of the Board of Directors and shall preside as Chair, at all meetings of the Board. The Chair shall also perform all duties incident to the office of Chair and such other duties as may be prescribed by the Board from time to time.

Section 3 **SECRETARY:** The Secretary shall provide for the keeping of minutes of all meetings of the Board along with all Board committees. The Secretary shall give or cause to be given appropriate actions in accordance with these by-laws or as required by law. The Secretary shall also keep or cause to be kept a roster showing the names of the current members of the board and their addresses. The Secretary will perform all duties incident to the office and such other duties as may be assigned from time to time by the Chair and, in the absence or disability of the Chair, shall act as Chair.

Section 4 **TREASURER:** The Treasurer shall keep or cause to be kept correct and accurate accounts of the properties and financial transactions of the District and in general perform all duties incident to the office and such other duties as may be assigned from time to time by the Chair. The Board shall require bond or an irrevocable letter of credit of the Treasurer. The letter of credit shall be issued by an insured institution. The amount of the bond or letter of credit shall be fixed by the Board. The premium for the bond or the fee for the letter of credit shall be paid from funds of the District.

Section 5 **ELECTION AND TENURE:** All officers of the Board of Directors shall be elected by the board, and except as otherwise provided in Section 6, each shall hold office for a one-year term or until a successor is duly elected, whichever is longer. An officer may be reelected for subsequent terms.

Section 6 **RESIGNATION AND REMOVAL:** Any officer may resign at any time by giving written notice to the Chair or to the Secretary. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at any later time specified in said notice. Any elected or appointed officer may be removed by majority vote at any time by the Board.

Section 7 **VACANCIES:** An officer vacancy may be filled by the Board for the remainder of the officer term.

ARTICLE 7
COMMITTEES

Section 1 **GENERAL:** The Board of Directors shall operate as a committee of the whole and perform all of the functions of the governing body. Except as specified in these by-laws, persons may be appointed to committees in an advisory and consulting capacity who are not members of the Board. But in all committees, the Chair of the committee shall be a member of the Board of Directors. The District Chief Executive Officer or his/her designee shall be an ex officio member of each committee. Members of the Medical Staff may be considered by the Chair for appointment on committees.

Except as otherwise provided in these by-laws or in the Board's resolution appointing a special committee, all committees of the Board of Directors shall maintain written minutes of their meetings which shall be available to the Board and will otherwise comply with the Oregon Public Meetings Law. They shall report in writing to the full Board as necessary, in the form of reports or recommendations; provided, however, that any committee that provides recommendations to the Board of Directors must comply with Oregon's public meeting and records laws, including the giving of notice reasonably calculated to give actual notice to interested persons including news media which have requested notice as further described in Article 5 above.

The joint conference function is accomplished by having the Hospital's Chief of Staff attend meetings of the Board of Directors and give a report.

Section 2 **SPECIAL COMMITTEES:** The Chair of the Board may from time to time appoint special committees comprised of members of the Board of Directors and with the concurrence of the Board for such special tasks as shall be needful or desirable for the conduct of the affairs

of the District. With the concurrence of the Board, individuals having special knowledge or background may be appointed to serve upon such committees in an advisory or consultative capacity.

A special committee shall limit its activities to the accomplishment of these tasks of which it was appointed, and shall have no powers, except those specifically conferred by action of the Board. Upon completion of the task for which such committee was appointed, the committee shall be discharged.

ARTICLE 8
HOSPITAL MANAGEMENT

Section 1 CHIEF EXECUTIVE OFFICER: The Board of Directors shall employ a Chief Executive Officer. The Chief Executive Officer shall have the responsibility for the day-to-day operation of the District and shall have the power to accomplish this responsibility. The Chief Executive Offer shall exercise management and control of the business and affairs of the District subject to the policies established by the Board of Directors in all such matters in which the Board has not formally designated some other person to act. The Chief Executive Officer shall be responsible only to the Board of Directors for the proper performance of his/her duties.

Specifically the District Chief Executive Officer shall:

1. Be a graduate from an accredited College or University in Business Administration, Health Administration, or related field.

2. Perfect and submit to the Board of Directors for approval a plan of organization of personnel and others concerned with the operation of the District.

3. Be responsible for motivating and directing all personnel to provide quality services in every department. This includes the authority to hire, establish job descriptions, train, coach, evaluate, and terminate personnel.

4. Responsible for compliance with all licensing and certification standards.

5. Prepare a budget showing the expected receipts and expenditures as required by the Board of Directors.

6. Responsible to develop public relations to improve the reputation of the District.

7. Supervise all business affairs such as records of financial transactions, collection of accounts and purchase and issuance of supplies, and insure that all funds are collected and expended to the best possible advantage.

8. See that all physical properties are kept in good state of repair and operating condition.

9. Responsible to assist in labor negotiations, if necessary.

10. Cooperate with the Medical Staff and secure like cooperation on the part of all concerned with the rendering of professional services to the ends that the best possible care may be rendered to all patients.

11. Submit regularly to the Board of Directors or its authorized committees periodic reports showing the professional service and financial activities of the hospital and prepare and submit such special reports as may be required by the Board of Directors.

12. Attend all meetings of the Board of Directors.

13. Perform any other duty that may be necessary in the best interests of the District.

14. Responsible to assist with District projects as requested by the Board.

15. Responsible to comply with all District policies.

Section 2 **MANAGEMENT FIRMS**: The Board of Directors may engage the services of a management firm to assist the Chief Executive Officer in the assigned duties.

At the discretion of the Board, the management firm may furnish the Chief Executive Officer. In such case, the Board shall have prior approval or rejection power over any applicant for the position.

ARTICLE 9
MEDICAL STAFF

Section 1 Organization

(a) The Board of Directors is responsible for the selection of the medical staff and the quality of care rendered at the hospital.

(b) The Board of Directors shall organize healthcare practitioners granted privileges to practice at the hospital into a medical staff. Practitioners shall be credentialed and granted privileges consistent with their individual training, licensure, experience, judgment, and other qualifications. No physician shall be denied clinical privileges solely on the basis that the physician holds medical staff membership or clinical privileges at another facility.

(c) The medical staff shall be governed by bylaws, rules and regulations, and policies, all of which shall be approved by the Board following recommendation from the medical staff. The medical staff bylaws shall be accomplished through a cooperative process involving both the medical staff and the Board. The medical staff bylaws shall be adopted, repealed or amended when approved by the medical staff and the Board. Approval shall not be unreasonably withheld by either. Neither the medical staff nor the Board shall withhold approval if such repeal, amendment, or adoption is mandated by law, statute or regulation or is necessary to obtain or maintain accreditation or to comply with fiduciary responsibilities or if the failure to approve would subvert the stated moral or ethical purposes of the hospital.

(d) The medical staff shall recommend to the Board candidates for medical staff membership and clinical privileges who meet eligibility criteria approved by the Board. The Board shall act on disciplinary and professional competence matters following recommendation from the medical staff. Procedures for granting, restricting and terminating privileges shall be regularly reviewed to assure conformity to applicable law.

Section 2 Quality of Care

(a) The Board of Directors shall in the exercise of its overall responsibility assign to the medical staff authority for ensuring appropriate professional care to hospital patients. The medical staff shall be accountable to the Board of Directors for quality of care to patients.

(b) The medical staff shall be responsible for reviewing the professional practices of the hospital for the purpose of reducing morbidity and mortality and for the improvement of patient care.

(c) The Board of Directors shall ensure that there is an effective, written, facility-wide quality assessment and performance improvement program to evaluate and monitor the quality and appropriateness of patient care. The Board shall also consult directly with the Chief Executive Officer, who is the individual assigned responsibility for the organization.

ARTICLE 10
HOSPITAL AUXILIARY

Section 1 The Board of Directors shall grant organized volunteers privileges to serve the District through an Auxiliary operating under by-laws developed by the Auxiliary and approved by the Board of Directors.

Section 2 There shall be by-laws, rules and regulations, or amendments thereto for the Auxiliary that set forth its organization and government. Proposed by-laws, rules and regulations shall be recommended by the Auxiliary, subject to the approval of the Board of Directors. The power of the Board of Directors to adopt or amend Auxiliary by-laws, rules and regulations shall not be dependent upon ratification by the Auxiliary.

ARTICLE 11
ETHICAL BEHAVIOR

All public officials of the District, which includes all members of the Board of Directors, are subject to and shall comply with ORS Chapter 244, the Government Standards and Practices Act. Nothing in this Article is intended to enlarge or contradict the statutory provisions as they may apply to public officials of the District and, to the extent any such conflict exists, public officials of the District shall be bound by the statutory provisions.

Under the Government Standards and Practices Act, the following is prohibited:

- Using or attempting to use an official position with the District to obtain any financial gain or the avoidance of any financial detriment not otherwise available to the public official but for the public official's holding the official position. (This does not apply to reimbursement of expenses for official activities.)

- Attempting to further the public official's personal gain through the use of confidential information gained by reason of an official activity or position.

- Soliciting or receiving promise of future employment based on an understanding that any official action will be influenced by that promise.

In addition, public officials of the District must comply with the conflict of interest provisions of the Government Standards and Practices Act. These provisions require that any public official of the District must publicly announce the nature of any conflict of interest before participating in any official action on the issue giving rise to the conflict of interest. Following the public announcement, the public official may participate in official action on the issue that gave rise to the public announcement if it is only a potential conflict of interest. If it is an actual conflict of interest, the public official must refrain from further participation in official action; provided, however, that a director of the District may vote on action involving an actual conflict of interest if, even with all members of the governing body present, that public official's vote is needed in order to meet the minimum number of votes required for official action.

A public official is met with an actual conflict of interest when the public official participates in action that would affect the financial interest of the official, the official's relative or a business with which the official or a relative of the official is associated. A public is met with a potential conflict of interest when the public official participates in action that could affect the financial interest of the official, a relative of that official or a business with which the official or the relative of that official is associated.

The District shall record any disclosure of an actual or potential conflict of interest in its official records.

ARTICLE 12
INDEMNIFICATION AND INSURANCE

The District shall indemnify any of its officers, employees, and agents, whether elective or appointive, against any tort claim or demand, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of duty to the fullest extent permitted by ORS Chapter 30 as the same now exists or is subsequently amended. At the time of adoption of these Amended Bylaws, the District's obligation to indemnify does not apply to cases of

malfeasance or willful or wanton neglect of duty. Indemnification shall not be deemed exclusive of any other rights to which those indemnified may otherwise be entitled.

The District may procure insurance and/or establish a self-insurance program against tort liability of the public body and its officers, employees and agents acting within the scope of their employment or duties.

ARTICLE 13
MISCELLANEOUS

Section 1 **FISCAL YEAR:** The Board of Directors has established the fiscal year as July 1st, through June 30th.

Section 2 **DISTRICT SEAL:** The Board of Directors may provide for a District seal in such form and with such inscription as it shall determine.

Section 3 **WAIVER OF NOTICE:** Where permitted by state law, whenever any notice is required to be given to a director under any provision of the laws of the State of Oregon, a waiver thereof in writing signed by the person entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice where such waiver is permitted by State law. All such waivers shall be filed with the District records, or be made a part of the minutes of the relevant meeting.

Section 4 The District shall adopt an annual budget by:

(a) Preparing a proposed budget for the fiscal year not later than June 1 of each year;

(b) Publishing a notice of the proposed budget and of the date and place of hearing the proposed budget 5 to 30 days prior to the hearing;

(c) Holding a public hearing on the proposed budget;

(d) Adopting a final budget by resolution not later than June 30 of each year; and

(e) Filing a written notice pursuant to ORS 310.060 not later than July 15 of each ear if the District seeks to impose property taxes.

The District may adopt a supplemental budget by resolution at a regular meeting of the Board. A supplemental budget may not extend beyond the end of the fiscal year during which it is submitted.

Section 5 **EXPENDITURES:** The Board may, by resolution, set aside specified amounts from money available for operating the District and delegate to an administrative officer of the District in charge of the hospital facility the authority to approve specified claims for expenses previously authorized by the Board. Otherwise, checks of the District shall be signed: (a) by the Treasurer and countersigned by the presiding officer of the Board or in his or her absence, by the Secretary; or (b) by an administrative employee of the District designated by the Board and countersigned by a Director.

Section 6 **AUDIT:** An annual audit of the District shall be made by an auditor. A true and complete copy of the auditor's report of such audit shall be filed in the office of the county clerk and shall remain a public record.

Section 7 **AMENDMENT TO BY-LAWS:**

Procedure: These by-laws may be amended or repealed and new by-laws adopted by a majority vote of the Board of Directors then in office at any regular or special meeting, if at least five days' written notice is given of the intention to take such action.

SECRETARY'S CERTIFICATE

THIS IS TO CERTIFY the foregoing By-laws of Blue Mountain Hospital District has been duly adopted by the Board of Directors on March 22, 2023.

IN WITNESS WHEREOF, the undersigned duly and acting Secretary of Blue Mountain Hospital District has signed this Certificate and affixed the seal of the District hereon dated March __, 2023.

Date MARCH 22, 2023

Linda M. Ladd

Secretary
Board of Directors
Blue Mountain Hospital District

Attachment B

Exhibit 1.c.

Organizational Chart or Structure

ORGANIZATIONAL CHART
BLUE MOUNTAIN HOSPITAL DISTRICT

Blue Mountain Hospital District, a Municipal Corporation
(An Oregon Health District)
d/b/a
Blue Mountain Hospital District
Blue Mountain Care Center
Blue Mountain Home Health & Hospice
Blue Mountain Home Health Agency
Strawberry Wilderness Community Clinic

Notes:

- Blue Mountain Hospital District, a Municipal Corporation has no affiliates.

Attachment B

Exhibit 1.d.

HCMO-1b: Business Entities Form

Health Care Market Oversight (HCMO) Program
HCMO-1b: Business Entities Form

List all business entities associated with parties to the proposed material change transaction that are currently registered to operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

Definitions

"**Business Name**" refers to the legal business name as reported to the Internal Revenue Service.

"**Assumed Business Name**" has the meaning provided in ORS 648.005.

"**Business Structure**" refers to type of structure, such as a corporation, partnership, LLC, or other.

"**Date Formed or Incorporated**" refers to the date when the business entity was formed or incorporated.

"**Jurisdiction**" refers to the state of domestic registration.

"**Principal Place of Business**" is the physical street address where the business is located.

"**FEIN**" means the 9-digit federal tax identification number assigned by the Internal Revenue Service.

Business entities associated with Party A

Entity Name: Blue Mountain Hospital District

Business Name	Assumed Business Name	Business Structure	Date Formed or Incorporated	Jurisdiction	Principal Place of Business	FEIN
Blue Mountain Hospital District A Municipal Corporation	Blue Mountain Hospital District	501(c)(3) public health district	October 20, 1970	Oregon	170 Ford Road, John Day, Oregon 97845	93-6002615
Blue Mountain Hospital District A Municipal Corporation	Blue Mountain Care Center	501(c)(3) public health district	October 20, 1970	Oregon	112 East 5th Street, Prairie City, Oregon 97869	93-6002615
Blue Mountain Hospital District A Municipal Corporation	Blue Mountain Home & Hospice	501(c)(3) public health district	October 20, 1970	Oregon	422 West Main Street, John Day, Oregon 97845	93-6002615
Blue Mountain Hospital District A Municipal Corporation	Blue Mountain Home Health Agency	501(c)(3) public health district	October 20, 1970	Oregon	422 West Main Street, John Day, Oregon 97845	93-6002615
Blue Mountain Hospital District A Municipal Corporation	Strawberry Wilderness Community Clinic	501(c)(3) public health district	October 20, 1970	Oregon	180 Ford Road, John Day, Oregon 97845	93-6002615
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Attachment B

Exhibit 1.e.

Financial Statements

Audited Financial Statements

BLUE MOUNTAIN HOSPITAL DISTRICT

June 30, 2023 and 2022

Blue Mountain Hospital District

BOARD OF DIRECTORS AND OFFICIALS

June 30, 2023

Board of Directors

Name	Address	Position
Karla Averett	P.O. Box 567, Canyon City, OR 97820	#1 Director
Shawna Clark	54778 Happy Valley Ln #173, Mt. Vernon, OR 97865	#2 Director
Kristine Tanory	P. O. Box 423, Mt. Vernon, OR 97865	#3 Director
Nick Stiner	P. O. Box 522, Mt. Vernon, OR 97865	#4 Director
Tim Unterwegner	226 Frankie Drive, John Day, OR 97845	#5 Treasurer
Amy Kreger	P. O. Box 270, Long Creek, OR 97856	At Large, Chairperson
Linda Ladd	308 NW 5th Avenue, John Day, OR 97845	At Large, Secretary

Administrative Staff

Cam Marlowe	Chief Executive Officer
Warren Taylor	Care Ctr Administrator
Cory Burnett	Chief Financial Officer
Debbie Morris	Director of Nursing
Lori Lane	Compliance Officer
Var Rigby	HR Director
Zachary Bailey, MD	Chief of Staff
Miller and Nash	Legal Counsel
Davis Wright Tremaine	Legal Counsel
Cam Marlowe 170 Ford Road John Day, OR 97845	Registered Agent

Audited Financial Statements

BLUE MOUNTAIN HOSPITAL DISTRICT

June 30, 2023

FINANCIAL STATEMENTS

Management's Discussion and Analysis

BLUE MOUNTAIN HOSPITAL DISTRICT

June 30, 2023

The management of the Blue Mountain Hospital District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2023 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2023 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Summary for the Year

- Total assets decreased by $1,562,469 from the prior fiscal year due mainly to a decrease in cash.
- Total operating cash and cash equivalents decreased by $1,467,597 over the prior year for reasons as noted in the Statement of Cash Flows.
- Net patient accounts receivable increased by $59,227. Net days in patient accounts receivable were 50.50 for 2023 as compared to 51.18 in 2022.
- Current liabilities decreased by $130,066 from the prior fiscal year due mainly to the earnings of the COVID repayments of $(1,083,235), the increase in third party payor settlements of $194,257, the increase in both accounts payable and accrued payroll of $758,912.
- The operating loss was $(4,378,054) as compared to the prior year operating loss of $(3,848,968).
- The decrease in net position was $(1,432,403) for 2023 as compared to a decrease of $(1,579,399) in 2022.
- The District's COVID-19 related income for June 30, 2023 was $1,206,870 as compared to $307,837 in the prior year.

Financial Analysis of the District for the Year Ended June 30, 2023

A summary of the District's net assets for 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Assets (000's)			
Current assets	$ 12,385	$ 13,506	$ 19,420
Restricted cash	941	875	850
Capital assets (net)	7,167	7,675	5,687
Total	$ 20,493	$ 22,056	$ 25,957
Liabilities (000's)			
Current liabilities	$ 3,129	$ 3,259	$ 5,581
Other liabilities			
Total liabilities	3,129	3,259	5,581
Net position (000's)			
Net investment in capital	7,167	7,675	5,597
Restricted	941	875	850
Unrestricted	9,256	10,247	13,929
Total net position	17,364	18,797	20,376
Total	$ 20,493	$ 22,056	$ 25,957

Cash and Investments

For the fiscal year ended June 30, 2023, the District's operating cash and cash equivalents totaled $6,527,257 as compared to $7,994,854 in the prior fiscal year. At June 30, 2023, days cash on hand were 71.29 as compared to the prior year of 90.91. The majority of the District's cash is deposited with local banks and in the Oregon State Treasury Local Government Investment Pool.

Current Liabilities

As previously noted, current liabilities of the District decreased by $130,066 due mainly to factors alreadey explained. The District's goal is to maintain sufficient cash flow to sustain operations. The current ratio was 3.96 for 2023 as compared to 4.10 for 2022.

Capital Assets

During the year, the District invested $632,081 towards the purchase of equipment. There were no material disposals during the year. The depreciation expense was $1,139,668 for 2023 for a net reduction in capital assets of $507,587. According to generally accepted accounting principles (GAAP), all property and equipment is recorded at historical costs and depreciated over a useful life as defined by the American Hospital Association. The District records capital assets on a historical basis less accumulated depreciation.

Revenues and Expenses for the year ended June 30, 2023, 2022 and 2021

The following shows the revenues, expenses and net assets for 2023, 2022 and 2021:

	2023	2022	2021
Operating revenues (000's)			
Net patient service revenues	$ 29,611	$ 28,793	$ 24,719
Other operating revenues	547	523	1,518
Total operating revenues	30,158	29,316	26,237
Operating expenses (000's)			
Salaries, wages, benefits and contract labor	26,022	24,667	21,538
Purchased services and professional fees	2,423	1,726	2,231
Supplies	2,856	3,335	2,754
Utilities	391	487	380
Repairs and maintenance	501	519	579
Insurance	289	254	222
Depreciation and amortization	1,140	1,222	1,096
Other operating expenses	914	955	887
Total operating expenses	34,536	33,165	29,687
Nonoperating revenues (expenses) (000's)			
District tax revenues	1,426	1,422	2,003
Grants and contributions	152	485	94
Interest expense	(5)	(15)	(33)
CARES act revenue	1,207	308	8,254
Other	166	70	186
Total nonoperating revenues (expenses)	2,946	2,270	10,504
Increase (decrease) in net position	$ (1,432)	$ (1,579)	$ 7,054

Gross Patient Charges

The District charges all its patients equally based on its established pricing structure for the services rendered. The charge master is evaluated on an ongoing basis to ensure that all only allowable charges are billed to comply with Medicare and Medicaid regulations.

Inpatient gross patient service charges increased by $1,125,744 from the prior year due mainly to increased volumes and rate increases. Outpatient gross patient service charges followed the same pattern and increased by $2,030,897.

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and bad debt provisions. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medicaid and other third party payors such as Blue Cross.

Deductions from revenue (as a percentage of gross patient service charges) were 35.04% for the current fiscal year as compared to 32.13% for the prior year. The deductions from revenue percentage increased due to increased settlements due to Medicare critical access status.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by $818,005 in the current fiscal year over the prior year. This was primarily due to volumes and charge increases as previously mentioned.

Operating Expenses

Total operating expenses were $34,536,425 for the current fiscal year compared to $33,165,272 for the prior fiscal year. Some of the more significant changes were as follows:

- A $2,275,768 increase in salaries, wages and related employee benefits due to salary rate increases and FTE changes.
- A $920,945 decrease in contract labor (registry) due to the transition to employee hires.
- A $478,977 decrease in supplies and a $710,959 increase in purchased services.

Economic Factors and Next Fiscal Year's Budget

The District's Board approved the budget for the fiscal year ending June 30, 2024 at a recent Board meeting. For fiscal year 2024, the District is budgeted to conservatively increase its net position. This increase is due to several assumptions:

- An increase in acute inpatient days and long-term care bed days. The acute patient day increase is related to improvement in the percentage of visits admitted from the emergency room. The long-term bed day increase is due to maintaining at least the same approximate skilled nursing facility patients and a slight increase in swing bed days. Long-term care days are expected to increase also due to the continued approach for new admissions.

- An increase in rural health clinic visits is anticipated with the continued physician recruitment.

- An increase in referred outpatient visits as outpatient ancillary services continue to expand.

JWT & Associates, LLP

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Report of Independent Auditors

The Board of Directors
Blue Mountain Hospital District
John Day, Oregon

Opinion

We have audited the accompanying financial statements of the Blue Mountain Hospital District, a district hospital (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note A, the District analyzed GASB 96 for year fiscal year ended June 30, 2023 and GASB 87 for the fiscal year ended June 30, 2022, finding that neither had any impact on the District's financial presentation. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America *Government Auditing Standards*, 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 Reporting Required by Oregon Minimum Standards

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 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 grant agreements and other matters. The purpose of that report is solely 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rick Jackson

For JWT & Associates, LLP
Fresno, California
December 13, 2023

Statements of Net Position

BLUE MOUNTAIN HOSPITAL DISTRICT

	June 30 2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,527,257	$ 7,994,854
Patient accounts receivable, net of allowances	4,096,495	4,037,268
Other receivables	972,324	533,480
Estimated third party payor settlements		251,077
Inventories	460,656	367,291
Prepaid expenses and other current assets	328,486	322,517
Total current assets	12,385,218	13,506,487
Noncurrent assets:		
Restricted cash and cash equivalents	941,200	874,813
Non depreciable capital assets	1,944,573	1,819,955
Depreciable capital assets, net of accumulated depreciation	5,222,508	5,854,713
Total noncurrent assets	8,108,281	8,549,481
Total assets	$ 20,493,499	$ 22,055,968
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,535,135	$ 880,258
Accrued payroll and related liabilities	1,399,650	1,295,615
COVID related deferred revenues		1,083,235
Estimated third party payor settlements	194,257	
Total current liabilities	3,129,042	3,259,108
Noncurrent liabilities:		
Debt borrowings, net of current maturities	-0-	-0-
Total noncurrent liabilities	-0-	-0-
Total liabilities	3,129,042	3,259,108
Net position:		
Net investment in capital assets	7,167,081	7,674,698
Restricted	959,169	874,813
Unrestricted	9,238,207	10,247,349
Total net position	17,364,457	18,796,860
Total liabilities and net position	$ 20,493,499	$ 22,055,968

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

BLUE MOUNTAIN HOSPITAL DISTRICT

	Year Ended June 30	
	2023	2022
Operating revenues		
Net patient service revenue	$ 29,610,847	$ 28,792,842
Other operating revenue	547,524	523,462
Total operating revenues	30,158,371	29,316,304
Operating expenses		
Salaries and wages	16,618,289	14,749,249
Employee benefits	4,030,746	3,624,018
Contract labor	5,372,626	6,293,571
Professional fees	48,588	62,157
Supplies	2,856,441	3,335,418
Purchased services	2,374,655	1,663,696
Repairs and maintenance	500,994	518,637
Utilities and phone	390,986	487,392
Building and equipment rent	78,096	114,160
Insurance	289,464	253,609
Depreciation and amortization	1,139,668	1,221,685
Other operating expenses	835,872	841,680
Total operating expenses	34,536,425	33,165,272
Operating loss	(4,378,054)	(3,848,968)
Nonoperating revenues (expenses)		
District tax revenues	1,426,309	1,422,267
Interest expense	(4,973)	(15,062)
COVID grants	1,206,870	307,837
Other grants and contributions	151,973	484,920
Investment income and other	165,472	69,607
Total nonoperating revenues (expenses)	2,945,651	2,269,569
Increase (decrease) in net position	(1,432,403)	(1,579,399)
Net position at beginning of the year	18,796,860	20,376,259
Net position at end of the year	$ 17,364,457	$ 18,796,860

See accompanying notes and auditor's report

Statements of Cash Flows

BLUE MOUNTAIN HOSPITAL DISTRICT

	Year Ended June 30	
	2023	2022
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$ 29,996,954	$ 27,530,083
Cash received from operations, other than patient services	108,680	225,727
Cash payments to suppliers and contractors	(13,275,414)	(16,034,143)
Cash payments to employees and benefit programs	(20,545,000)	(18,439,906)
Net cash (used in) operating activities	(3,714,780)	(6,718,239)
Cash flows from noncapital financing activities:		
District tax revenues supporting operations	1,426,309	1,422,267
Grants and contributions	1,358,843	792,757
Net cash provided by noncapital financing activities	2,785,152	2,215,024
Cash flows from capital and related financing activities:		
Purchase of capital assets and other changes	(632,071)	(3,208,946)
Repayment of debt borrowings		(90,171)
Interest payments on debt borrowings and other	(4,973)	(15,062)
Net cash provided by (used in) capital financing activities	(637,044)	(3,314,179)
Cash flows from investing activities:		
Net change restricted cash	(66,387)	(24,990)
Investment income and other	165,462	69,607
Net cash provided by (used in) investing activities	99,075	44,617
Net increase (decrease) in cash and cash equivalents	(1,467,597)	(7,772,777)
Cash and cash equivalents at beginning of year	7,994,854	15,767,631
Cash and cash equivalents at end of year	$ 6,527,257	$ 7,994,854

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

BLUE MOUNTAIN HOSPITAL DISTRICT

	Year Ended June 30	
	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	$ (4,378,054)	$ (3,848,968)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	1,139,668	1,221,685
Provision for bad debts	288,066	1,347,035
Changes in operating assets and liabilities:		
Patient accounts receivable	(347,293)	(2,358,716)
Other receivables	(438,844)	(297,735)
Inventories	(93,365)	(24,994)
Prepaid expenses and other current assets	(5,969)	(273,971)
Accounts payable and accrued expenses	(428,358)	(2,164,859)
Accrued payroll and related liabilities	104,035	(66,639)
Estimated third party payor settlements	445,334	(251,077)
Net cash (used in) operating activities	$ (3,714,780)	$ (6,718,239)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Blue Mountain Hospital District (the District), established on July 1, 1950, is a municipal corporation (special district) is considered a public entity organized under the State of Oregon regulations. The District, as a political subdivision of the State of Oregon, is generally not subject to state or federal income taxes. The District is governed by a seven-member board of directors who are elected to specific terms. The District, located in John Day, Oregon, operates an acute care hospital, skilled nursing, home health, hospice , rural health care clinic and ambulance services in order to serve the health care needs of residents in the Grant County, Oregon area. The District provides services both on an inpatient and outpatient basis.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Management's Discussion and Analysis: GASB Statement number 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities , when present, are reported at fair value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories: Inventories are consistently reported from year to year on the first-in, first-out basis (FIFO) and are not in excess of market values. Inventories consist of pharmaceuticals, medical and surgical supplies, dietary and other supplies used in the operations of providing health care services.

Restricted Cash and Cash Equivalents : Restricted cash and cash equivalents include, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Amounts required to meet current obligations of the District, are classified as current assets.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 15 to 40 years for buildings and improvements, and 5 to 7 years for equipment. The District periodically reviews its capital assets for value impairment.

Compensated Absences: The District's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO if they leave either upon termination or retirement. Accrued PTO liabilities as of June 30, 2023 and 2022 were $800,472 and $720,597 respectively.

Risk Management: Commercial insurance is generally purchased to cover the District against various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accidental benefits. Settled claims have not exceeded this commercial coverage in any of the two preceding years. The District is also insured for medical malpractice claims and judgements, as discussed later in these footnotes.

Statements of Cash Flows: For purposes of the statements of cash flows, all highly liquid investments with original maturities of three months or less and demand deposits are considered to be cash equivalents. Cash paid for interest expense during the year ended June 30, 2023 and 2022 was $4,973 and $15,062, respectively.

Recently Adopted Accounting Pronouncement: Recently the Governmental Accounting Standards Board released GASB 96 and 87 regarding changes in the way certain IT contracts and leases are accounted for, respectively. GASB 87 superceded GASB 13 and GASB 62 and more accurately portrays lease obligations by recognizing lease assets and lease liabilities on the statement of net position and disclosing key information about leasing arrangements. The District analyzed the possible impact of both GASB 96 and 87 noting that there were no contracts or leases which materially qualified under these new pronouncements.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: Net position is presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on those assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that does not meet the definition or criteria of the previous two categories. When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient revenues and then written off entirely as an adjustment to net patient service revenues. Partial payments to which the District is entitled from public assistance programs on behalf of certain patients that meet the District's charity care criteria are reported under net patient service revenues. These supplemental programs are generally funded from governmental agencies and others. Total charity care was $187,005 and $372,104 for the years ended June 30, 2023 and 2022, respectively.

District Tax Revenues: The District receives approximately 7% of its financial support from ad valorem taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Ad valorem taxes are levied by Grant County (the County) on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date. Property taxes are considered delinquent on the day following each payment date. Those payment dates are November 15, February 15 and May 15 of each year.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Revenue Recognition: As previously stated, net patient service revenues are reported at amounts that reflect the consideration to which the District expects to be entitled in exchange for patient services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits, reviews, and investigations. Generally, the District bills the patients and third-party payors several days after the patient receives healthcare services at the District. Revenue is recognized as services are rendered.

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the asset is to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived asset is placed in service. Cash received in excess of revenue recognized is unearned revenue.

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Donor restricted contributions whose restriction expire during the same fiscal year are recognized as net assets without donor restrictions. Absent donor imposed restrictions, the District records donated services, materials, and facilities as net assets without donor restrictions.

From time to time, the District receives grants from governmental agencies and private organizations. Revenues from grants are recognized when eligibility requirements, including time requirements are met. Grants may be restricted for specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2023 and 2022, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to $2,654,451 and $886,213, respectively. All of these funds were held in deposits, which are collateralized in accordance with the Oregon banking regulations and laws, except for $250,000 per account that is federally insured.

Under the provisions of the the Oregon Revised Statute (ORS) 295, it is required that the depositor verify that deposit accounts are maintained only at financial institutions that are on the list of qualified depositories found on the Oregon's State Treasurer's website. Furthermore ORS 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110% of the greater of (a) all public funds held by the bank depository or (b) the average of the balances of public funds held by the bank depository as shown on the last four immediately preceding treasurer reports. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. ORS 295.0002 provides for funds deposited in excess of $250,000 to be held only in a depository qualified by the Oregon Public Funds Collateralization Program (PFCP).

Cash and cash equivalents also consist of funds deposited in the Oregon State Treasury Local Government Investment Pool (LGIP) which invests in several market pools as allowed according to public restrictions on investments. Deposits in the LGIP as of June 30, 2023 and 2022 were $5,277,969 and $8,368,590, respectively.

NOTE C - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The District is classified as a critical access District effective July 31, 2001. The District is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2023, cost reports through June 30, 2021, have been audited or otherwise final settled.

Medicaid: Most of Oregon Medicaid is on a managed care plan. Payments for health care services rendered to non-managed care Medicaid patients are made based on a reasonable-cost basis. Cost reports are required to be submitted annually to the State of Oregon for non-managed care Medicaid services to the District. At June 30, 2023, cost reports through June 30, 2020 have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare, Medicaidl patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Gross and net patient for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Daily acute care services	$ 36,664,161	$ 33,364,093
Skilled nursing care services	2,560,601	2,067,823
Swing bed services	1,716,203	1,718,050
Home health services	902,888	1,394,697
Hospice services	684,884	1,055,783
Rural health care clinic services	3,054,440	2,826,090
Gross patient service revenues	45,583,177	42,426,536
Less deductions from gross revenues	(15,972,330)	(13,633,694)
Net patient service revenues	$ 29,610,847	$ 28,792,842

NOTE D - CONCENTRATION OF CREDIT RISK

Financial Instruments: Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of $250,000. There are two accounts as of June 30, 2023 and one account as of June 30, 2022 that exceed the FDIC limit. The District has deposits of $5,277,969 and $8,368,590 in funds within the Oregon State Treasury as of June 30, 2023 and 2022, respectively. Management believes that there is no risk of material for these funds as of June 30, 2023 and 2022.

Patient Accounts Receivable: The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable as of June 30, 2023 and 2022 are as follows:

	2023	2022
Medicare	$ 2,826,389	$ 2,773,100
Medicaid	991,312	954,279
Commercial insurances	3,012,558	2,995,006
Self pay and others	2,273,064	2,172,246
Gross patient accounts receivable	9,103,323	8,894,631
Less allowances for contractual adjustments and bad debts	(5,006,828)	(4,857,363)
Net patient accounts receivable	$ 4,096,495	$ 4,037,268

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2023 and 2022 were comprised of the following:

	2023	2022
340B receivables	$ 223,053	$ 142,507
Other receivables	328,286	57,043
USDA receivable	334,816	211,181
District tax receivables	86,169	122,,749
	$ 972,324	$ 533,480

NOTE F - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents as of June 30, 2023 and 2022 were comprised of the following:

Restricted for the following various purposes:	2023	2022
Cash and cash equivalents held by the Foundation	$ 303,464	$ 286,745
Cash and cash equivalents held in patient trust accounts	1,147	1,147
Cash and cash equivalents held for dental and vision purposes	141,841	137,236
Cash and cash equivalents held for other specific purposes	494,748	449,685
	$ 941,200	$ 874,813

NOTE G - EMPLOYEES' RETIREMENT PLANS

The District provides pension benefits for all full-time employees who elect to contribute through the District's defined contribution retirement plan. The District's contributes an amount equal to the employee's contribution up to 4% of employee wages. Employees are fully vested after seven years of continuous service. The District's contributions to the plan were $498,794 and $352,722 during the years ended June 30, 2023 and 2022, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The Blue Mountain Healthcare Foundation (the Foundation), has been established to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in periods determined by the Foundation's board and management, who may also restrict the use of funds for District property and equipment replacement, District expansion, reimbursement of expenses, or other specific purposes. Donations in this regard were $-0- and $50,000 during the years ended June 30, 2023 and 2022, respectively. The Foundation is considered a component unit of the District with total assets of $303,464 and $286,745 as of June 30, 2023 and 2022, respectively.

NOTE I - CAPITAL ASSETS

Capital assets were comprised of the following:

	June 30, 2022	Additions	Retirements	June 30, 2023
Capital assets not being depreciated				
Land	$ 255,610			$ 255,610
Construction-in-progress	1,564,345	$ 124,618	$	1,688,963
Total	1,819,955	124,618		1,944,573
Capital assets being depreciated				
Building and improvements	13,097,838			13,097,838
Equipment	12,135,978	507,463		12,643,441
Total	25,233,816	507,463		25,741,279
Less accumulated depreciation:				
Building and improvements	(9,818,555)	(499,280)		(10,317,835)
Equipment	(9,560,548)	(640,388)		(10,200,936)
Total accumulated depreciation	(19,379,103)	(1,139,668)		(20,518,771)
Total, net	$ 5,854,713	$ 269,403	$	$ 7,167,081

	June 30, 2021	Additions	Retirements	June 30, 2022
Capital assets not being depreciated				
Land	$ 102,026	$ 153,584		$ 255,610
Construction-in-progress	72	1,564,273	$	1,564,345
Total	102,098	1,717,857		1,819,955
Capital assets being depreciated				
Building and improvements	12,876,067	221,771		13,097,838
Equipment	11,116,628	1,269,317	(249,967)	12,135,978
Total	23,992,695	1,491,088	(249,967)	25,233,816
Less accumulated depreciation:				
Building and improvements	(9,289,903)	(528,652)		(9,818,555)
Equipment	(9,117,482)	(693,033)	249,967	(9,560,548)
Total accumulated depreciation	(18,407,385)	(1,221,685)	249,967	(19,379,103)
Total, net	$ 5,585,310	$ 269,403	$	$ 5,854,713

NOTE J - DEBT BORROWINGS

	June 30, 2022	Additions	Repayments	June 30, 2023
Bank line of credit	$ -0-	$ -0-	$ -0-	$ -0-
Toshiba lease payable	-0-	-0-	-0-	-0-
Total debt borrowings	-0-	-0-	-0-	-0-
Less current maturities	-0-	-0-	-0-	-0-
Total long-term borrowings	$ -0-	$ -0-	$ -0-	$ -0-

No new significant debt borrowings occurred at the District during the year ended June 30, 2023 and 2022. The District has renewed the $1,000,000 revolving line of credit with the Bank of Eastern Oregon. The line was renewed on August 17, 2022 and matures on August 17, 2024 with interest at 5.50%. The line is used to provide short-term cash flow for normal operating expenses of the District. Borrowings under this agreement are secured by all inventory, chattel paper, accounts, equipment and general intangibles whether now owned and existing or acquired and arising in the future. Interest payments are due monthly. Interest expense on this line for the year ended June 30, 2023 and 2022 was $-0- and $-0-, respectively with borrowings and repayments as shown above. There was no activity on this line during the year ended June 30, 2023 and 2022.

NOTE K - COMMITMENTS AND CONTINGENCIES

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2023 and 2022 , were $78,096 and $114,160 respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2023, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District is involved in certain litigation which have arisen in the normal course of business. After consultation with legal counsel, management has recorded any possible losses as a result of these proceedings and estimates that matters existing as of June 30, 2023 will be resolved without further significant material adverse effect on the District's future net position, results from operations or cash flows.

Medical Malpractice Claims: The District maintains commercial malpractice liability insurance coverage under various claims-made policies covering losses up to $1 million per claim and $5 million in the aggregate with a per claim deductible for losses only. The District plans to maintain the coverage by renewing its current policy or by replacing it with equivalent insurance.

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

Workers Compensation Program: The District is a participant in the State of Oregon's SAIF workers' compensation program. SAIF is established for not-for-profit entities of which the District (although a government entity) is considered to be non-for-profit for this workers' compensation program. Annual premiums are approximately $140,000 each year. The policy covers up to $500,000 for bodily injury either by accident or disease.

Health Care Reform: 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 Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statues and regulations by health care providers. 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 repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, 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.

NOTE L -INVESTMENTS

The District's investment balances and average maturities were as follows at June 30, 2023 and 2022:

		Investment Maturities in Years		
As of June 30, 2023	Fair Value	Less than 1	1 to 5	Over 5
Savings & related cash equivalents	$ 1,775,929	$ 1,775,929		
Oregon State Treasury LGIP	5,277,969	5,277,969		
Total investments	$ 7,053,898	$ 7,053,898	$ -0-	$ -0-

		Investment Maturities in Years		
As of June 30, 2022	Fair Value	Less than 1	1 to 5	Over 5
Savings & related cash equivalents	$ 460,893	$ 460,893		
Oregon State Treasury LGIP	8,368,590	8,368,590		
Total investments	$ 8,829,483	$ 8,829,483	$ -0-	$ -0-

The District's investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally held with government agencies. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways a hospital may manage its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. Generally a hospital's investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of $500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a hospital would not be able to recover the value of its investment or collateral securities that are in the possession of another party. A hospital's investments are generally held by broker-dealers or in the case of many healthcare district's, in government-pooled short-term cash equivalents such as mutual funds.

Investment Hierarchy: The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The District investments are solely measured by Level 1 inputs and has no investments that are measured using Level 2 or 3.

NOTE M - SIGNIFICANT UNUSUAL TRANSACTIONS

CARES Act Funding: The COVID-19 pandemic, whose effects first became known in January 2020, had a broad and negative effect disrupting both the domestic and global economies. During the fiscal years 2021 and 2020, the District noted the adverse impact on District operations with revenue declines and additional labor, supply and other costs. These declines were a direct result of the impact of the pandemic, forcing federal and state requirements to restrict travel, require social distancing, and enhanced infection control practices, leading to reduced patient contacts and a reduced availability of on-site workforce.

NOTE M - SIGNIFICANT UNUSUAL TRANSACTIONS (continued)

The District received $4,288,592 in COVID-19 federal grant funding during the year ended June 30, 2020; $168,000 during the year ended June 30, 2021 and $1,032,696 during the year ended June 30, 2022 . Usage of these funds were reported via the "Reporting Portal" developed by the federal department of Health Resources & Services Administration (HRSA). The first report was submitted at the end of November, 2021 where the Hospital reported on the usage of the first period of funding received starting from April 10, 2020 through June 30, 2020 and which were used by June 30, 2021. Funds received after that time frame were also required to be reported via the HRSA portal on a semi-annual basis. Funds received through June 30, 2020 required a single audit to be by September 30, 2022, with which the District complied. Another single audit will be due March 31, 2024 for usage of COVID funding during the fiscal year ended June 30, 2023.

The District had $-0- remaining at the end of the fiscal year 2023 to use for healthcare related expense or lost revenues that were attributable to the coronavirus in the next fiscal year.

Accelerated Medicare Payments: As of June 30, 2021 the District had received $3,449,389 via the Medicare accelerated payment program. These payments were intended to provide necessary funds for hospital operations due to disruptions in claims submissions as a result of COVID-19. These payments were considered advances against future Medicare claims and required repayment. As a result, the District has fully repaid these advances by the end of the fiscal year ended June 30, 2022.

NOTE N - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through December 13, 2023 the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership
1111 East Herndon, Suite 211, Fresno, California 93720
Voi ce: (559) 431-7708 Fax:(559) 431-7685

Independent Auditors Report Required by Oregon State Regulations in accordance with Minimum Standards for Audits of Oregon Municipal Corporations

Board of Directors
Blue Mountain Hospital District
John Day, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Blue Mountain Hospital District as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon dated December 13, 2023.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of *Oregon Revised Statues* as specified in *Oregon Administrative Rules* 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (HB2520).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outsources.

- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of *Oregon Revised Statues* as specified in *Oregon Administrative Rules* 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations.*

OAR 162-10-0230 Internal Control

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

Our report on *Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated December 13, 2023, is presented separately.

Restrictions on Use

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

Rick Jackson

For JWT & Associates, LLP
Fresno, California
December 13, 2023

Schedule of Actual Revenues and Expenditures to Budget

BLUE MOUNTAIN HOSPITAL DISTRICT

For the Year Ended June 30, 2023

	Actual	Budget Original	Budget Final	(Over) Under Budget
Revenues				
Net patient service revenues	$ 29,610,847	$ 29,839,700	$ 29,839,700	$ 228,853
Property taxes	1,426,309	1,425,000	1,425,000	(1,309)
COVID grants	1,206,870	1,033,200	1,033,200	(173,670)
Other grants and donations	151,973	379,300	379,300	227,327
Investment income and other	180,776	4,500	4,500	(176,276)
Other operating revenues	547,524	1,500,000	1,500,000	952,476
Total revenues	33,124,299	34,181,700	34,181,700	1,057,401
Less Expenditures				
Personnel services	26,021,661	25,001,800	25,001,800	(1,019,861)
Materials and other services	5,279,684	7,356,400	7,356,400	2,076,716
Other expenditures	2,115,689			(2,115,689)
Capital outlays	632,080	798,300	798,300	166,220
Debt borrowings services				
Total expenditures	34,049,114	$ 33,156,500	$ 33,156,500	$ (892,614)
Excess expenditures over revenues	$ (924,815)			

Reconciliation of statutory operating expenditures to GAAP basis operating expenses	
Add: capital asset purchases	$ 632,080
Add: debt borrowing reductions	
Less: depreciation	(1,139,668)
Total effects of reconciliation	(507,588)
Increase (decrease) in net position	(1,432,403)
Net position - beginning of year	18,796,860
Net position - end of year	$ 17,364,457

JWT & Associates, LLP

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Independent Auditors 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

The Board of Directors
Blue Mountain Hospital District
John Day, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Blue Mountain Hospital District, a district hospital (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated August 7, 2023.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control 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 District's financial statements are free from 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 financial statement. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rick Jackson

For JWT & Associates, LLP
Fresno, California
December 13, 2023

Audited Financial Statements
and Other Financial Information

BLUE MOUNTAIN HOSPITAL DISTRICT

June 30, 2024 and 2023

Blue Mountain Hospital District

BOARD OF DIRECTORS AND OFFICIALS

June 30, 2024

Board of Directors

Name	Address	Position
Karla Averett	P.O. Box 567, Canyon City, OR 97820	#1 Director
Shawna Clark	54778 Happy Valley Ln #173, Mt. Vernon, OR 97865	#2 Director
Kristine Tanory	P. O. Box 423, Mt. Vernon, OR 97865	#3 Director
Nick Stiner	P. O. Box 522, Mt. Vernon, OR 97865	#4 Director, Secretary
Tim Unterwegner	226 Frankie Drive, John Day, OR 97845	#5 Director, Treasurer
Amy Kreger	P. O. Box 270, Long Creek, OR 97856	At Large, Chairperson
Rebecca McCay	27637 La Costa Rd, John Day, OR 97845	At Large

Administrative Staff

Cam Marlowe	Chief Executive Officer
Carrie Weis	Care Ctr Administrator
Cory Burnett	Chief Financial Officer
Debbie Morris	Chief Nursing Officer
Lori Lane	Compliance Officer
Maisie Taylor	HR Director
Zachary Bailey, MD	Chief of Staff
Miller and Nash	Legal Counsel
Davis Wright Tremaine	Legal Counsel
Cam Marlowe 170 Ford Road John Day, OR 97845	Registered Agent

Audited Financial Statements

BLUE MOUNTAIN HOSPITAL DISTRICT

June 30, 2024

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

SINGLE AUDIT REPORTS

JWT & Associates, LLP

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Report of Independent Auditors

The Board of Directors
Blue Mountain Hospital District
John Day, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Blue Mountain Hospital District, a district hospital (the District) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America *Government Auditing Standards*, 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.

Supplemental Information - Single Audit Reports

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025 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 grant agreements and other matters. The purpose of that report is solely 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated February 21, 2025, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of *Oregon Revised Statues* as specified in *Oregon Administrative Rules.* The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Rick Jackson

For JWT & Associates, LLP
Fresno, California
February 21, 2025

Management's Discussion and Analysis

BLUE MOUNTAIN HOSPITAL DISTRICT

June 30, 2024

The management of the Blue Mountain Hospital District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2024 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2024 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Summary for the Year

- Total assets increased by $7,615,301 from the prior fiscal year due mainly to an increase in cash and fixed assets.
- Total operating cash and cash equivalents increased by $3,941,533 over the prior year for reasons as noted in the Statement of Cash Flows.
- Net patient accounts receivable increased by $934,159. Net days in patient accounts receivable were 62.01 for 2024 as compared to 50.50 in 2023.
- Current liabilities decreased by $333,005 from the prior fiscal year due mainly to the increase in cash which went towards paying down the liabilities.
- The operating loss was $(2,596,216) as compared to the prior year operating loss of $(4,378,054).
- The increase in net position was $4,669,580 for 2024 as compared to a decrease of $(1,432,403) in 2023.
- The District's grant related income for June 30, 2024 was $5,529,486 as compared to $1,206,870 in the prior year.

Financial Analysis of the District for the Year Ended June 30, 2023

A summary of the District's net assets for 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Assets (000's)			
Current assets	$ 17,068	$ 12,385	$ 13,506
Restricted cash	847	941	875
Capital assets (net)	10,194	7,167	7,675
Total	$ 28,109	$ 20,493	$ 22,056
Liabilities (000's)			
Current liabilities	$ 2,796	$ 3,129	$ 3,259
Other liabilities	3,279		
Total liabilities	6,075	3,129	3,259
Net position (000's)			
Net investment in capital	6,543	7,167	7,675
Restricted	847	941	875
Unrestricted	14,644	9,256	10,247
Total net position	22,034	17,364	18,797
Total	$ 28,109	$ 20,493	$ 22,056

Cash and Investments

For the fiscal year ended June 30, 2024, the District's operating cash and cash equivalents totaled $10,468,790 as compared to $6,527,257 in the prior fiscal year. At June 30, 2024, days cash on hand were 121.35 as compared to the prior year of 71.29. The majority of the District's cash is deposited with local banks and in the Oregon State Treasury Local Government Investment Pool.

Current Liabilities

As previously noted, current liabilities of the District decreased by $333,005 due mainly to factors already explained. The District's goal is to maintain sufficient cash flow to sustain operations. The current ratio was 6.10 for 2024 as compared to 3.96 for 2023.

Capital Assets

During the year, the District invested a net $4,720,583 towards the purchase of equipment. There were no material disposals during the year. The depreciation expense was $1,693,440 for 2024 for a net increase in capital assets of $3,027,143. According to generally accepted accounting principles (GAAP), all property and equipment is recorded at historical costs and depreciated over a useful life as defined by the American Hospital Association. The District records capital assets on a historical basis less accumulated depreciation.

Revenues and Expenses for the year ended June 30, 2024, 2023 and 2022

The following shows the revenues, expenses and net assets for 2024, 2023 and 2022:

	2024	2023	2022
Operating revenues (000's)			
Net patient service revenues	$ 29,873	$ 29,611	$ 28,793
Other operating revenues	578	547	523
Total operating revenues	30,451	30,158	29,316
Operating expenses (000's)			
Salaries, wages, benefits and contract labor	23,559	26,022	24,667
Purchased services and professional fees	2,205	2,423	1,726
Supplies	3,153	2,856	3,335
Utilities	408	391	487
Repairs and maintenance	558	501	519
Insurance	302	289	254
Depreciation and amortization	1,693	1,140	1,222
Other operating expenses	1,169	914	955
Total operating expenses	33,047	34,536	33,165
Nonoperating revenues (expenses) (000's)			
District tax revenues	1,477	1,426	1,422
Grants and contributions	20	152	485
Interest expense	(220)	(5)	(15)
COVID related revenue	5,529	1,207	308
Other	460	166	70
Total nonoperating revenues (expenses)	7,266	2,946	2,270
Increase (decrease) in net position	$ 4,670	$ (1,432)	$ (1,579)

Gross Patient Charges

The District charges all its patients equally based on its established pricing structure for the services rendered. The charge master is evaluated on an ongoing basis to ensure that all only allowable charges are billed to comply with Medicare and Medicaid regulations.

Inpatient gross patient service charges increased by $751,102 from the prior year due mainly to increased volumes and rate increases. Outpatient gross patient service charges followed the same pattern and increased by $460,514.

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and bad debt provisions. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medicaid and other third party payors such as Blue Cross.

Deductions from revenue (as a percentage of gross patient service charges) were 36.16% for the current fiscal year as compared to 35.04% for the prior year. The deductions from revenue percentage increased due to increased gross revenues.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by $262,371 in the current fiscal year over the prior year. This was primarily due to volumes and charge increases as previously mentioned.

Operating Expenses

Total operating expenses were $33,047,555 for the current fiscal year compared to $34,536,425 for the prior fiscal year. Some of the more significant changes were as follows:

- A $1,839,748 decrease in salaries, wages and related employee benefits due to decreases in FTE's.
- A $622,583 decrease in contract labor (registry) due to the transition to employee hires.
- A $296,845 increase in supplies and a $229,475 decrease in purchased services.

Economic Factors and Next Fiscal Year's Budget

The District's Board approved the budget for the fiscal year ending June 30, 2025 at a recent Board meeting. For fiscal year 2025, the District is budgeted to conservatively increase its net position. This increase is due to several assumptions:

- An increase in acute inpatient days and long-term care bed days. The acute patient day increase is related to improvement in the percentage of visits admitted from the emergency room. The long-term bed day increase is due to maintaining at least the same approximate skilled nursing facility patients and a slight increase in swing bed days. Long-term care days are expected to increase also due to the continued approach for new admissions.

- An increase in rural health clinic visits is anticipated with the continued physician recruitment.

- An increase in referred outpatient visits as outpatient ancillary services continue to expand.

Statements of Net Position

BLUE MOUNTAIN HOSPITAL DISTRICT

	June 30	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 10,468,790	$ 6,527,257
Patient accounts receivable, net of allowances	5,030,654	4,096,495
Other receivables	815,335	972,324
Inventories	490,287	460,656
Prepaid expenses and other current assets	261,906	328,486
Total current assets	17,066,972	12,385,218
Noncurrent assets:		
Restricted cash and cash equivalents	847,604	941,200
Non depreciable capital assets	522,630	1,944,573
Depreciable capital assets, net of accumulated depreciation	9,671,594	5,222,508
Total noncurrent assets	11,041,828	8,108,281
Total assets	$ 28,108,800	$ 20,493,499
Liabilities and Net Position		
Current liabilities:		
Current maturities of debt borrowings	$ 372,717	
Accounts payable and accrued expenses	725,089	$ 1,535,135
Accrued payroll and related liabilities	1,619,380	1,399,650
Estimated third party payor settlements	78,851	194,257
Total current liabilities	2,796,037	3,129,042
Noncurrent liabilities:		
Debt borrowings, net of current maturities	3,278,726	-0-
Total noncurrent liabilities	3,278,726	-0-
Total liabilities	6,074,763	3,129,042
Net position:		
Net investment in capital assets	6,542,781	7,167,081
Restricted cash and cash equivalents	847,604	941,200
Unrestricted	14,643,652	9,256,176
Total net position	22,034,037	17,364,457
Total liabilities and net position	$ 28,108,800	$ 20,493,499

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

BLUE MOUNTAIN HOSPITAL DISTRICT

	Year Ended June 30	
	2024	2023
Operating revenues		
Net patient service revenue	$ 29,873,218	$ 29,610,847
Other operating revenue	578,121	547,524
Total operating revenues	30,451,339	30,158,371
Operating expenses		
Salaries and wages	15,439,502	16,618,289
Employee benefits	3,369,785	4,030,746
Contract labor	4,750,043	5,372,626
Professional fees	59,480	48,588
Supplies	3,153,286	2,856,441
Purchased services	2,145,180	2,374,655
Repairs and maintenance	557,517	500,994
Utilities and phone	408,203	390,986
Building and equipment rent	74,281	78,096
Insurance	301,790	289,464
Depreciation and amortization	1,693,440	1,139,668
Other operating expenses	1,095,048	835,872
Total operating expenses	33,047,555	34,536,425
Operating loss	(2,596,216)	(4,378,054)
Nonoperating revenues (expenses)		
District tax revenues	1,477,046	1,426,309
Interest expense	(219,835)	(4,973)
Federal grants	5,529,486	1,206,870
Other grants and contributions	19,614	151,973
Gain on sale of assets	61,103	
Investment income and other	398,382	165,472
Total nonoperating revenues (expenses)	7,265,796	2,945,651
Increase (decrease) in net position	4,669,580	(1,432,403)
Net position at beginning of the year	17,364,457	18,796,860
Net position at end of the year	$ 22,034,037	$ 17,364,457

See accompanying notes and auditor's report

Statements of Cash Flows

BLUE MOUNTAIN HOSPITAL DISTRICT

	Year Ended June 30	
	2024	2023
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$ 28,823,653	$ 29,996,954
Cash received from operations, other than patient services	735,110	108,680
Cash payments to suppliers and contractors	(13,317,925)	(13,275,414)
Cash payments to employees and benefit programs	(18,589,557)	(20,545,000)
Net cash (used in) operating activities	(2,348,719)	(3,714,780)
Cash flows from noncapital financing activities:		
District tax revenues supporting operations	1,477,046	1,426,309
Grants and contributions	5,549,100	1,358,843
Net cash provided by noncapital financing activities	7,026,146	2,785,152
Cash flows from capital and related financing activities:		
Purchase of capital assets and other changes	(4,720,583)	(632,071)
Debt borrowings	3,965,598	
Repayment of debt borrowings	(314,155)	
Interest payments on debt borrowings and other	(219,835)	(4,973)
Net cash provided by (used in) capital financing activities	(1,288,975)	(637,044)
Cash flows from investing activities:		
Net change in restricted cash and cash equivalents	93,596	(66,387)
Investment income and other	459,485	165,462
Net cash provided by (used in) investing activities	553,081	99,075
Net increase (decrease) in cash and cash equivalents	3,941,533	(1,467,597)
Cash and cash equivalents at beginning of year	6,527,257	7,994,854
Cash and cash equivalents at end of year	$ 10,468,790	$ 6,527,257

See accompanying notes and auditor's report

	Year Ended June 30	
	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	$ (2,596,216)	$ (4,378,054)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	1,693,440	1,139,668
Provision for bad debts	401,558	288,066
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,335,717)	(347,293)
Other receivables	156,989	(438,844)
Inventories	(29,631)	(93,365)
Prepaid expenses and other current assets	66,580	(5,969)
Accounts payable and accrued expenses	(810,046)	(428,358)
Accrued payroll and related liabilities	219,730	104,035
Estimated third party payor settlements	(115,406)	445,334
Net cash (used in) operating activities	$ (2,348,719)	$ (3,714,780)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Blue Mountain Hospital District (the District), established on July 1, 1950, is a municipal corporation (special district) is considered a public entity organized under the State of Oregon regulations. The District, as a political subdivision of the State of Oregon, is generally not subject to state or federal income taxes. The District is governed by a seven-member board of directors who are elected to specific terms. The District, located in John Day, Oregon, operates an acute care hospital, skilled nursing, home health, hospice , rural health care clinic and ambulance services in order to serve the health care needs of residents in the Grant County, Oregon area. The District provides services both on an inpatient and outpatient basis.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Management's Discussion and Analysis: GASB Statement number 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities , when present, are reported at fair value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories: Inventories are consistently reported from year to year on the first-in, first-out basis (FIFO) and are not in excess of market values. Inventories consist of pharmaceuticals, medical and surgical supplies, dietary and other supplies used in the operations of providing health care services.

Restricted Cash and Cash Equivalents : Restricted cash and cash equivalents include, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Amounts required to meet current obligations of the District, are classified as current assets.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. The District's policy is to capitalize purchases over $5,000. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 15 to 40 years for buildings and improvements, and 5 to 7 years for equipment. The District periodically reviews its capital assets for value impairment.

Compensated Absences: The District's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO if they leave either upon termination or retirement.

Risk Management: Commercial insurance is generally purchased to cover the District against various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accidental benefits. Settled claims have not exceeded this commercial coverage in any of the two preceding years. The District is also insured for medical malpractice claims and judgements, as discussed later in these footnotes.

Statements of Cash Flows: For purposes of the statements of cash flows, all highly liquid investments with original maturities of three months or less and demand deposits are considered to be cash equivalents.

Recently Adopted Accounting Pronouncement: Recently the Governmental Accounting Standards Board released GASB 96 and 87 regarding changes in the way certain IT contracts and leases are accounted for, respectively. GASB 87 superceded GASB 13 and GASB 62 and more accurately portrays lease obligations by recognizing lease assets and lease liabilities on the statement of net position and disclosing key information about leasing arrangements. The District analyzed the possible impact of both GASB 96 and 87 noting that there were no contracts or leases which materially qualified under these new pronouncements.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: Net position is presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on those assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that does not meet the definition or criteria of the previous two categories. When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient revenues and then written off entirely as an adjustment to net patient service revenues. Partial payments to which the District is entitled from public assistance programs on behalf of certain patients that meet the District's charity care criteria are reported under net patient service revenues. These supplemental programs are generally funded from governmental agencies and others.

District Tax Revenues: The District receives approximately 7% of its financial support from ad valorem taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Ad valorem taxes are levied by Grant County (the County) on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date. Property taxes are considered delinquent on the day following each payment date. Those payment dates are November 15, February 15 and May 15 of each year.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Revenue Recognition: As previously stated, net patient service revenues are reported at amounts that reflect the consideration to which the District expects to be entitled in exchange for patient services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits, reviews, and investigations. Generally, the District bills the patients and third-party payors several days after the patient receives healthcare services at the District. Revenue is recognized as services are rendered.

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the asset is to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived asset is placed in service. Cash received in excess of revenue recognized is unearned revenue.

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Donor restricted contributions whose restriction expire during the same fiscal year are recognized as net assets without donor restrictions. Absent donor imposed restrictions, the District records donated services, materials, and facilities as net assets without donor restrictions.

From time to time, the District receives grants from governmental agencies and private organizations. Revenues from grants are recognized when eligibility requirements, including time requirements are met. Grants may be restricted for specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2024 and 2023, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to $7,831,445 and $2,654,451, respectively. All of these funds were held in deposits, which are collateralized in accordance with the Oregon banking regulations and laws, except for $250,000 per account that is federally insured.

Under the provisions of the the Oregon Revised Statute (ORS) 295, it is required that the depositor verify that deposit accounts are maintained only at financial institutions that are on the list of qualified depositories found on the Oregon's State Treasurer's website. Furthermore ORS 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110% of the greater of (a) all public funds held by the bank depository or (b) the average of the balances of public funds held by the bank depository as shown on the last four immediately preceding treasurer reports. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. ORS 295.0002 provides for funds deposited in excess of $250,000 to be held only in a depository qualified by the Oregon Public Funds Collateralization Program (PFCP).

Cash and cash equivalents also consist of funds deposited in the Oregon State Treasury Local Government Investment Pool (LGIP) which invests in several market pools as allowed according to public restrictions on investments. Deposits in the LGIP as of June 30, 2024 and 2023 were $3,483,999 and $5,277,969, respectively.

NOTE C - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The District is classified as a critical access District effective July 31, 2001. The District is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2024, cost reports through June 30, 2022, have been audited or otherwise final settled.

Medicaid: Most of Oregon Medicaid is on a managed care plan. Payments for health care services rendered to non-managed care Medicaid patients are made based on a reasonable-cost basis. Cost reports are required to be submitted annually to the State of Oregon for non-managed care Medicaid services to the District. At June 30, 2024, cost reports through June 30, 2022 have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare, Medicaidl patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Gross and net patient for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Inpatient services	$ 8,779,323	$ 8,028,221
Outpatient services	38,015,470	37,554,956
Gross patient service revenues	46,794,793	45,583,177
Less deductions from gross revenues	(16,921,575)	(15,972,330)
Net patient service revenues	$ 29,873,218	$ 29,610,847

NOTE D - CONCENTRATION OF CREDIT RISK

Financial Instruments: Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of $250,000. There are three accounts as of June 30, 2024 and two accounts as of June 30, 2023 that exceed the FDIC limit. The District has deposits of $3,483,999 and $5,277,969 in funds within the Oregon State Treasury as of June 30, 2024 and 2023, respectively. Management believes that there is no risk of material for these funds as of June 30, 2024 and 2023 as described later in these footnotes.

Patient Accounts Receivable: The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable as of June 30, 2024 and 2023 are as follows:

	2024	2023
Medicare	$ 4,276,718	$ 2,826,389
Medicaid	2,072,003	991,312
Commercial insurances	2,358,560	3,012,558
Self pay and others	2,423,373	2,273,064
Gross patient accounts receivable	11,130,654	9,103,323
Less estimated allowances for contractual adjustments and bad debts	(6,100,000)	(5,006,828)
Net patient accounts receivable	$ 5,030,654	$ 4,096,495

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2024 and 2023 were comprised of the following:

	2024	2023
340B pharmacy receivables	$ 291,991	$ 223,053
Other receivables	39,878	328,286
USDA receivable	376,273	334,816
District tax receivables	107,193	86,169
	$ 815,335	$ 972,324

NOTE F - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents as of June 30, 2024 and 2023 were comprised of the following:

Restricted for the following various purposes:	2024	2023
Cash and cash equivalents held by the Foundation	$ 124,037	$ 303,464
Cash and cash equivalents held in patient trust accounts	787	1,147
Cash and cash equivalents held for dental and vision purposes	151,357	141,841
Cash and cash equivalents held for ambulance funds	409,975	349,449
Cash and cash equivalents held for other specific purposes	161,448	145,299
	$ 847,604	$ 941,200

NOTE G - EMPLOYEES' RETIREMENT PLANS

The District provides pension benefits for all full-time employees who elect to contribute through the District's defined contribution retirement plan. The District's contributes an amount equal to the employee's contribution up to 4% of employee wages. Employees are fully vested after seven years of continuous service. The District's contributions to the plan were $476,573 and $498,794 during the years ended June 30, 2024 and 2023, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The Blue Mountain Healthcare Foundation (the Foundation), has been established to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in periods determined by the Foundation's board and management, who may also restrict the use of funds for District property and equipment replacement, District expansion, reimbursement of expenses, or other specific purposes. The Foundation is considered a component unit of the District with total assets of $124,037 and $303,464 as of June 30, 2024 and 2023, respectively.

NOTE I - CAPITAL ASSETS

It is the District's policy to capitalize purchased over $5,000. Capital assets were comprised of the following:

	June 30, 2023	Additions	Transfers & Retirements	June 30, 2024
Capital assets not being depreciated				
Land	$ 255,610		$ (10,733)	$ 244,877
Construction-in-progress	1,688,963	$ 4,265,699	(5,676,909)	277,753
Total	1,944,573	4,265,699	(5,687,642)	522,630
Capital assets being depreciated				
Building and improvements	13,097,838	15,494		13,113,332
Equipment	12,643,441	451,122	(38,677)	13,055,887
Electronic Health Record System			5,676,909	5,676,909
Total	25,741,279	466,616	5,638,232	31,846,127
Less accumulated depreciation:				
Building and improvements	(10,317,835)	(384,949)		(10,702,784)
Equipment	(10,200,936)	(766,161)	38,677	(10,928,420)
Electronic Health Record System	(10,200,936)	(543,329)		(543,329)
Total accumulated depreciation	(20,518,771)	(1,694,439)	38,677	(22,174,533)
Total, net	$ 7,167,081	$ 3,037,876	$ (10,733)	$ 10,194,224

	June 30, 2022	Additions	Transfers & Retirements	June 30, 2023
Capital assets not being depreciated				
Land	$ 255,610			$ 255,610
Construction-in-progress	1,564,345	$ 124,618	$	1,688,963
Total	1,819,955	124,618		1,944,573
Capital assets being depreciated				
Building and improvements	13,097,838			13,097,838
Equipment	12,135,978	507,463		12,643,441
Total	25,233,816	507,463		25,741,279
Less accumulated depreciation:				
Building and improvements	(9,818,555)	(499,280)		(10,317,835)
Equipment	(9,560,548)	(640,388)		(10,200,936)
Total accumulated depreciation	(19,379,103)	(1,139,668)		(20,518,771)
Total, net	$ 5,854,713	$ 269,403	$	$ 7,167,081

NOTE I - CAPITAL ASSETS (continued)

The District entered into a nine-year contract with Oracle/Cerner 12/30/21 for the implementation in the current reporting period for use of Electronic Health Records software system totaling $5,678,909. This Subscription-Based Information Technology Arrangement (SBITA) is recorded a a long-term asset and amortized over the nine-year term of the contract. The total SBITA amortization in the current period is $543,329 and future SBITA amortization for each of the five subsequent years are: $645,623 in 2025; $645,623 in 2026; $639,049 in 2027; $600,616 in 2028; $600,616 in 2029; and $2,002,052 thereafter.

NOTE J - DEBT BORROWINGS

	June 30, 2023	Additions	Repayments	June 30, 2024
Bank line of credit	$ -0-	$ -0-	$ -0-	$ -0-
SBITA payable	-0-	3,965,598	(314,155)	3,651,443
Total debt borrowings	-0-	$ 3,965,598	$ (314,155)	3,651,443
Less current maturities	-0-			(372,717)
Total long-term borrowings	$ -0-			$ 3,278,726

During the year ended June 30, 2024, the District incurred $3,965,598 towards new equipment in a series of three separate transactions. Interest is charged at 7% and current maturities for the next five years are $322,717 in 2025; $399,840 in 2026; $419,447 in 2027; $408,781 in 2028; and $438,332 in 2029. Final payments are due in October 2032. No significant debt borrowings occurred at the District during the year ended June 30, 2023.

The District has renewed the $1,000,000 revolving line of credit with the Bank of Eastern Oregon. The line was renewed on August 17, 2022 and matures on August 17, 2024 with interest at 5.50%. The line is used to provide short-term cash flow for normal operating expenses of the District. Borrowings under this agreement are secured by all inventory, chattel paper, accounts, equipment and general intangibles whether now owned and existing or acquired and arising in the future. Interest payments are due monthly. There was no activity on this line during the year ended June 30, 2024 and 2023.

NOTE K - COMMITMENTS AND CONTINGENCIES

Leases: The District leases various equipment and facilities under lease agreements expiring at various dates. Total building and equipment lease expense for the years ended June 30, 2024 and 2023 , were $78,096 and $78,096 respectively. Future minimum lease payments for the succeeding years under these lease agreements as of June 30, 2024, that have initial or remaining lease terms in excess of one year are not considered material.

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

Litigation: The District is involved in certain litigation which have arisen in the normal course of business. After consultation with legal counsel, management has recorded any possible losses as a result of these proceedings and estimates that matters existing as of June 30, 2024 will be resolved without further significant material adverse effect on the District's future net position, results from operations or cash flows.

Medical Malpractice Claims: The District maintains commercial malpractice liability insurance coverage under various claims-made policies covering losses up to $1 million per claim and $5 million in the aggregate with a per claim deductible for losses only. The District plans to maintain the coverage by renewing its current policy or by replacing it with equivalent insurance.

Workers Compensation Program: The District is a participant in the State of Oregon's SAIF workers' compensation program. SAIF is established for not-for-profit entities of which the District (although a government entity) is considered to be non-for-profit for this workers' compensation program. Annual premiums are approximately $140,000 each year. The policy covers up to $500,000 for bodily injury either by accident or disease.

Health Care Reform: 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 Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statues and regulations by health care providers. 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 repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, 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.

NOTE L -INVESTMENTS

The District's investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally held with government agencies. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

NOTE L -INVESTMENTS (continued)

The District's investment balances and average maturities were as follows at June 30, 2024 and 2023:

		Investment Maturities in Years		
As of June 30, 2024	Fair Value	Less than 1	1 to 5	Over 5
Savings & related cash equivalents	$ 6,707,071	$ 6,707,071		
Oregon State Treasury LGIP	3,483,999	3,483,999		
Total investments	$ 10,191,070	$ 10,191,070	$ -0-	$ -0-

		Investment Maturities in Years		
As of June 30, 2023	Fair Value	Less than 1	1 to 5	Over 5
Savings & related cash equivalents	$ 1,775,929	$ 1,775,929		
Oregon State Treasury LGIP	5,277,969	5,277,969		
Total investments	$ 7,053,898	$ 7,053,898	$ -0-	$ -0-

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways a hospital may manage its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. Generally a hospital's investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of $500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a hospital would not be able to recover the value of its investment or collateral securities that are in the possession of another party. A hospital's investments are generally held by broker-dealers or in the case of many healthcare district's, in government-pooled short-term cash equivalents such as mutual funds. In the case of investments in the Oregon State Treasury LGIP, this pool is unrated, however, the District believes there is no credit risk with this investment.

NOTE L -INVESTMENTS (continued)

Investment Hierarchy: The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The District investments are solely measured by Level 1 inputs and has no investments that are measured using Level 2 or 3.

NOTE M - SIGNIFICANT UNUSUAL TRANSACTIONS

CARES Act Funding: The COVID-19 pandemic, whose effects first became known in January 2020, had a broad and negative effect disrupting both the domestic and global economies. During the fiscal years 2021 and 2020, the District noted the adverse impact on District operations with revenue declines and additional labor, supply and other costs. These declines were a direct result of the impact of the pandemic, forcing federal and state requirements to restrict travel, require social distancing, and enhanced infection control practices, leading to reduced patient contacts and a reduced availability of on-site workforce.

The District received $4,288,592 in COVID-19 federal grant funding during the year ended June 30, 2020; $168,000 during the year ended June 30, 2021 and $1,032,696 during the year ended June 30, 2022 . Usage of these funds were reported via the "Reporting Portal" developed by the federal department of Health Resources & Services Administration (HRSA). The first report was submitted at the end of November, 2021 where the Hospital reported on the usage of the first period of funding received starting from April 10, 2020 through June 30, 2020 and which were used by June 30, 2021. Funds received after that time frame were also required to be reported via the HRSA portal on a semi-annual basis. Funds received through June 30, 2020 required a single audit to be by September 30, 2022, with which the District complied. Another single audit was due March 31, 2024 for usage of COVID funding during the fiscal year ended June 30, 2023 and with which the District complied.

FEMA Grant: A significant grant of $5,529,486 from the Federal Emergency Management Agency (FEMA) public assistance program under the "Disaster Grants - Public Assistance (Presidentially Declared Disasters) program was recognized during the year ended June 30, 2024 a part of ongoing efforts to address the financial impact of the COVID-19 pandemic. FEMA is a department of Homeland Security of the federal government. This grant also required a single audit to be performed for the year ended June 30, 2024 and is due March 31, 2025. The District intends on meeting this deadline in order to comply with the single audit requirements.

NOTE N - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through February 21, 2025 the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

Schedule of Actual Revenues and Expenditures to Budget

BLUE MOUNTAIN HOSPITAL DISTRICT

For the Year Ended June 30, 2024

		Budget		(Over) Under
	Actual	Original	Final	Budget
Revenues				
Net patient service revenues	$ 29,873,218	$ 31,561,141	$ 31,561,141	$ 1,687,923
Property taxes	1,477,046	1,424,288	1,424,288	(52,758)
FEMA grant	5,529,486			(5,529,486)
Other grants and donations	19,614	55,000	55,000	35,386
Investment income and other	459,485	211,728	211,728	(247,757)
Other operating revenues	578,121	1,720,502	1,720,502	1,142,381
Total revenues	37,936,970	34,972,659	34,972,659	(2,964,311)
Less Expenditures				
Personnel services	23,559,330	25,643,859	25,643,859	2,084,529
Materials and other services	5,357,946	5,898,953	5,898,953	541,007
Other expenditures	2,656,674	2,169,457	2,169,457	(487,217)
Capital outlays	4,732,315	798,300	798,300	(3,934,015)
Debt borrowings services	314,155			(314,155)
Total expenditures	36,620,420	$ 34,510,569	$ 34,510,569	$ (2,109,851)
Excess revenues over expenditures	$ 1,316,550			

Reconciliation of statutory operating expenditures to GAAP basis operating expenses	
Add: capital asset purchases	$ 4,732,315
Add: debt borrowing reductions	314,155
Less: depreciation	(1,693,440)
Total effects of reconciliation	3,353,030
Increase (decrease) in net position	4,669,580)
Net position - beginning of year	17,364,457
Net position - end of year	$ 22,034,037

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Independent Auditor's Report Required by Oregon State Regulations in accordance with Minimum Standards for Audits of Oregon Municipal Corporations

Board of Directors
Blue Mountain Hospital District
John Day, Oregon

We have audited the accompanying financial statements of Blue Mountain Hospital District (the District) as of and for the year ended June 30, 2024, and have issued our report thereon dated February 21, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America*, Government Auditing Standards,* issued by the Comptroller General of the United States and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations,* prescribed by the Secretary of State. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of *Oregon Revised Statues* (ORS) as specified in *Oregon Administrative Rules* (OAR)162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

- The accounting records and related internal control structure (OAR 162-010-0230)

- The amount and adequacy of collateral pledged by depositories to secure the deposits of public funds (OAR 162-010-0240)

- The requirements relating to debt, including the limitation of debt, liquidation of debt in the prescribed period of time, and compliance with provisions of bond indentures or other requirements, including restrictions placed on funds available to retire indebtedness (OAR 162-010-0250)

- The requirement relating to preparation, adoption, and execution of the annual budgets for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (OAR 162-010-0260)

- The requirements relating to insurance and fidelity bond coverage (OAR 162-010-0270)

- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies (OAR 162-010-0280)

- The statutory requirements pertaining to the investment of public funds (OAR 162-010-0300)

- The requirements pertaining to the awarding of public contracts and the construction of public improvements (OAR 162-010-0310)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of *Oregon Revised Statues* as specified in *Oregon Administrative Rules* 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations.*

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances 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.

Our report on *Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated February 21, 2025, is presented separately.

Restrictions on Use

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

Rick Jackson

For JWT & Associates, LLP
Fresno, California
February 21, 2025

SINGLE AUDIT REPORTS

Schedule of Expenditures of Federal Awards

BLUE MOUNTAIN HOSPITAL DISTRICT

Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor Program and/or Cluster Title	Federal ALN Number	Pass-Through Identification Number	Total Federal Expenditures	
U.S. Department of Homeland Security				
Passed Through Program From:				
Oregon Department of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	unknown	$ 5,529,486	*
Sub-Total Passed Through			5,529,486	
Total Expenditures of Federal Awards			$ 5,529,486	

* denotes major program

Notes to Schedule of Expenditures of Federal Awards

BLUE MOUNTAIN HOSPITAL DISTRICT

Year Ended June 30, 2024

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Blue Mountain Hospital District (the District) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows for the District.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the District, agencies, and departments of the federal government. The awards are classified into major program categories in accordance with the provisions of the Uniform Grant Guidance. Amounts reported under ALN 97.036 are based on May 2024 OMB compliance supplement.

NOTE B - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the course of business to amounts reported as expenditures in prior years.

NOTE C - INDIRECT COST RATE

The District has not elected to use the 10% federal de minimis cost rate allowed under Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) when applicable.

NOTE D - RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

Consistent with management's policy, federal awards and other grants are recorded in respective revenue categories. As a result, the amount of total federal awards expended on the Schedule does not agree to total grant revenue on the Statement of Operations and Changes in Net Position as presented in the District's report on the audited financial statements.

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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

The Board of Directors
Blue Mountain Hospital District
John Day, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Blue Mountain Hospital District, a district hospital (the District) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 21, 2025.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control 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 District's financial statements are free from 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 financial statement. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rick Jackson

For JWT & Associates, LLP
Fresno, California
February 21, 2025

JWT & Associates, LLP

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Blue Mountain Hospital District
John Day, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Blue Mountain Hospital District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Rick Jackson

For JWT & Associates, LLP
Fresno, California
February 21, 2025

Schedule of Findings and Questioned Costs

BLUE MOUNTAIN HOSPITAL DISTRICT

Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified		
Internal control over financial reporting: Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____	Yes	X	No

Major Programs

Disaster Grants - Public Assistance (Presidentially Declared Disasters)		ALN Number 97.036		
Dollar threshold used to distinguish between type A and type B programs		$750,000		
Auditee qualified as low-risk auditee?	____	Yes	X	No

Schedule of Findings and Questioned Costs

BLUE MOUNTAIN HOSPITAL DISTRICT

Year Ended June 30, 2024

Section II - Current Year Findings and Questioned Costs

Financial Statements Findings - Audit

There were no findings and questioned costs.

Major Federal Programs Audit

There were no findings and questioned costs.

Section III - Prior Year Findings and Questioned Costs

Financial Statements Findings - Audit

There were no findings and questioned costs.

Major Federal Programs Audit

There were no findings and questioned costs.

Attachment B

Exhibit 1.f.vi

HCMO-1c: Facilities and Location Form

Health Care Market Oversight (HCMO) Program
HCMO-1c: Facilities and Locations Form

List all health care facilities and locations associated with parties to the proposed material change transaction that currently operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

For each location, include the location or facility name, street address, services provided at the location, and service area zip codes. Service area refers to the smallest number of zip codes from which the location or facility draws at least 75% of its patients, based on home zip codes of patients. Add rows as needed for additional locations.

Locations associated with Party A

Entity Name: Blue Mountain Hospital District

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
Blue Mountain Hospital	170 Ford Road, John Day, Oregon 97845	Hospital services (emergency care, inpatient care, outpatient care, surgical services, cataract surgery, imaging services, laboratory services, labor and delivery services, rehabilitation services, respiratory therapy services)	97845, 97865, 97869, 97820
Blue Mountain Emergency Medical Services	170 Ford Road, John Day, Oregon 97845	Emergency medical services	97845, 97865, 97869, 97820
Blue Mountain Hospital Swingbeds	180 Ford Road, John Day, Oregon 97845	Swing bed services	97845, 97865, 97869, 97820
Strawberry Wilderness Community Clinic	180 Ford Road, John Day, Oregon 97845	Primary care services (obstetrics, pediatrics, adult	97845, 97865, 97869, 97820

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
		medicine, geriatrics), including rotating specialty care clinics	
Blue Mountain Hospice	422 West Main Street, John Day, Oregon 97845	Hospice services	97845, 97865, 97869, 97820
Blue Mountain Home Health Agency	422 West Main Street, John Day, Oregon 97845	Home health services	97845, 97865, 97869, 97820
Blue Mountain Care Center	112 East 5th Street, Prairie City, Oregon 97845	Intermediate/nursing care services, including adult day care	97845, 97865, 97869, 97820
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.